# MERCHANT MARINE STUDIES

## HEARINGS

BEFORE A

## SUBCOMMITTEE OF THE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE UNITED STATES SENATE

EIGHTY-THIRD CONGRESS

FIRST SESSION

ON

MERCHANT MARINE STUDIES

(Maritime Subsidies)

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PART 1

MAY 14, JUNE 16, 17, 18, JULY 2, 3, 6, 8, 10, 13, 14, 15, 16, 21, 22, 23, 27, AND 30, 1953

Printed for the use of the Committee on Interstate and Foreign Commerce

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# CONTENTS


Statement of— Page

Bailey, Frazer, National Federation of American Shipping, Inc. 346
Ball, Hon. Joseph H., vice president, Association of American Ship Owners 384
Binney, Ralph M., vice president, First National Bank, Boston, Mass. 547
Brownlow, James A., president, Metal Trades Department, American Federation of Labor 513
Buchanan, T. E., general manager, marine department, the Texas Co 623
Burnham, Oliver T., vice president, Lake Carriers' Association 565
Carroll, Harry J., director of traffic, Goodyear Tire & Rubber Co., Akron, Ohio 559
Chubb, Percy, The American Institute of Marine Underwriters 574
Clark, Earl W., Deputy Maritime Administrator 210, 271, 327
Clark, F. Riker, president, American Tramp Shipowners' Association, Inc 363
Cochrane, Adm. Edward L., dean of engineering, Massachusetts Institute of Technology 663
Donovan, Gerald, vice president, Moore-McCormack Lines 121
Farrell, James A., Jr., president, Farrell Lines, Inc 115
Gatov, A. W., Maritime Administrator and Chairman, Federal Maritime Board 17
Greene, Francis T., general counsel, Federal Maritime Board and Maritime Administration 335
Haddock, Hoyt S., executive secretary, CIO maritime committee 399
Hicks, Capt. Rex, Chief, Office of Ship Construction, Maritime Administration 332
Johnson, Gilbert R., counsel, Lake Carriers' Association 563
Klemmer, Harvey, Deputy Director, Office of Transport and Communication, Department of State, Washington, D. C 44
Kurz, Adolph, on behalf of Charles Kurz, president, Chas. Kurz & Co., Inc 643
Man, Ben J., research consultant, CIO maritime committee 417
Mann, John, member of shipping policy staff, Department of State, Washington, D. C 51
Mullaney, Capt. B. J., administrative assistant, Plans and Policy Director, Plans and Policy Division, Military Sea Transportation Service, Washington, D. C 33, 72
Murray, Hon. Robert B., Under Secretary of Commerce for Transportation, Department of Commerce, Washington, D. C 3, 197
Nemec, Frank A., vice president, Lykes Bros. Steamship Co., Inc. and chairman, Finance Committee of Subsidized Lines, New Orleans, La 141
Pimper, J. L., Assistant to General Counsel, Maritime Administration 311
Reynolds, Robert H., Rocky Mountain Export Co., Denver, Colo 554
Rothchild, Sylvester E., vice president, American Tramp Shipowners-Association, Inc 369
Sanford, L. R., president, Shipbuilders Council of America 433
Stakem, Thomas E., Special Assistant to the Deputy Maritime Administrator 221, 276
Strohmeier, Daniel D., vice president, Bethlehem Steel Co 605
Syran, Col. Arthur, Director of Transportation Division, Mutual Security Agency, Washington, D. C 56
Turman, Solon B., president, Lykes Bros., Steamship Co., Inc., New Orleans, La 139
Ward, Donald G., director of transportation, Mathieson Chemical Corp., Baltimore, Md 532
Wilson, Rear Adm. R. E., Deputy Commander and Chief of Staff, Military Sea Transport Service, Washington, D. C 28, 65, 93

Additional information:
Charts and tables showing—
Age of United States flag seagoing merchant fleet as of December 31, 1952: Page
Combination ships 233
Freighters 231
Tankers 232
Total fleet—dry cargo and tankers 236
Total fleet—dry cargo ships and tankers 230
American flag operation greater, submitted by T. E. Buchanan, general manager, marine department, the Texas Co 625
Breakdown of fleet as of April 30, 1953, submitted by Earl W. Clark, Deputy Maritime Administrator 211, 212
Breakdown of vessels under United States registry in terms of gross registered tons and gross tons of carrying capacity, by types and trades, submitted by Gilbert R. Johnson, counsel, Lake Carriers' Association 564
Bulk and ore carriers of 1,000 gross tons and over under foreign flag and owned by affiliates of major United States companies, submitted by Hoyt S. Haddock, executive secretary, CIO maritime committee 420
Certificated water carriers who have suspended or abandoned their intercoastal and coastwise operations, submitted by Hon. Joseph H. Ball, vice president, Association of American Shipowners 395
Characteristics of different types of vessels, submitted by Rear Adm. R. E. Wilson, Deputy Commander and Chief of Staff, Military Sea Transport Service 105
Chronological report for the years 1946–55, submitted by Thomas E. Stakem, Special Assistant to the Deputy Maritime Administrator 308
Comparative analysis of privately owned active modern dry cargo and passenger fleet of the United States engaged in foreign trade on December 31, 1952, submitted by James A. Farrell, Jr., president, Farrell Lines, Inc 136
Composition of projected American merchant marine adequate for United States oceanborne and Great Lakes trades, submitted by Hoyt S. Haddock, executive secretary, CIO maritime committee 414
Composition of the Great Lakes fleet, submitted by Oliver T. Burnham, vice president, Lake Carriers' Association 567
Composition of the United States fleet, 1,000 gross tons and over, submitted by Earl W. Clark, Deputy Maritime Administrator 211
Displacement tons of steel naval vessels delivered each year by naval and private shipyards, 1941–52, submitted by L. R. Sanford, president, Shipbuilders Council of America 500
Employment of United States flag merchant fleet 1937–41 and 1946–52, submitted by Earl W. Clark, Deputy Maritime Administrator 238
Graphic analysis of grain exported to all countries of the world from the ports of Mobile, New Orleans, Galveston, and Houston, years 1912 to 1947, inclusive, submitted by Solon B. Turman, president, Lykes Bros. Steamship Co., Inc 187
Gross tonnage and number of steel self-propelled merchant vessels (by types of ships) built in the private shipyards of the United States and delivered in the years 1941–52 (includes only vessels of 2,000 gross tons and over), submitted by L. R. Sanford, president, Shipbuilders Council of America 499
Gross tons of steel self-propelled merchant ships delivered each year by private shipyards, by types, 1941–52, submitted by L. R. Sanford, president, Shipbuilders Council of America 498
Iron ore moved in Canadian vessels, submitted by Oliver T. Burnham, vice president, Lake Carriers' Association 566
Large seagoing or inland waters merchant vessels under construction or on order as of July 1, 1953, submitted by L. R. Sanford, president, Shipbuilders Council of America 487
Large seagoing or inland waters merchant vessels under constructions or on order June 1, 1953, together with percent representing unfinished work (vessels 1,000 gross tons and over) submitted by L. R. Sanford, president, Shipbuilders Council of America 505

Additional information—Continued
Charts and tables showing—Continued Page
Mail payments to air carriers, fiscal year 1952, with estimated division between subsidy and compensation for transportation services, submitted by Hoyt S. Haddock, executive secretary, CIO maritime committee 408, 409
Modern ships, submitted by James A. Farrell, Jr., president, Farrell Lines, Inc 117
MSA ocean freight payments to tramp vessels by fiscal year, submitted by Col. Arthur Syran, Director of Transportation Division, Mutual Security Agency 60
Naval combatant and large auxiliary vessels under construction or on order in private yards, June 1, 1953, submitted by L. R. Sanford, president, Shipbuilders Council of America 507
Naval combatant and large auxiliary vessels under conversion in private yards June 1, 1953, submitted by L. R. Sanford, president, Shipbuilders Council of America 508
Number and displacement tonnage of steel combatant and auxiliary naval vessels built in the shipyards of the United States and delivered in the years 1941–52 by geographical regions, submitted by L. R. Sanford, president, Shipbuilders Council of America 501
Number and tonnage of seagoing merchant vessels of 1,000 gross tons each and over constructed in Untied States shipyards for operation under United States and foreign flags for the years 1928–40, inclusive, submitted by Earl W. Clark, Deputy Maritime Administrator 312
Number and tonnage of United States flag seagoing merchant vessels of 1,000 gross tons and over as of June 30, 1937, arranged by ownership, vessel type, and year built, submitted by Earl W. Clark, Deputy Maritime Administrator 273
Number, dead-weight tonnage, and trades of vessels owned and operated by members of the Association of American Shipowners as of April 30, 1953, submited by Hon. Joseph H. Ball, vice president, Association of American Shipowners 385
Number, gross and dead-weight tonnage of privately owned United States flag seagoing tankers of 1,000 gross tons and over arranged by major and smaller oil companies as well as independent tanker operators as of June 30, 1953, submitted by Thomas E. Stakem, special assistant to the Deputy Maritime Administrator 265
Number of United States flag privately and Maritime Administration owned combination passenger and freight vessels, active and inactive, arranged by specified passenger groupings as of June 30, 1953, submitted by Thomas E. Stakem, special assistant to the Deputy Maritime Administrator 268
Number of vessels and percent unfinished, July 1, 1953, submitted by L. R. Sanford, president, Shipbuilders Council of America 490
Oceangoing United States flag ships built for private account, with and without construction subsidy, submitted by Earl W. Clark, Deputy Maritime Administrator 309
Passengers entering and clearing United States ports in overseas travel, by sea and by air (July 1 to December 31, 1952, on an annual basis), submitted by Frazer Barley, National Federation of American Shipping, Inc 348
Privately owned active vessels analysis of foreign trade dry cargo and passenger fleet of the United States, by types, as of December 31, 1952, submitted by James A. Farrell, Jr., president, Farrell Lines, Inc 135
Privately owned coastwise and intercoastal dry cargo fleet, submitted by Hon. Joseph H. Ball, vice president, Association of American Shipowners 394
Projected American oceangoing merchant fleet consisting of ships of 1,000 gross tons and over (excludes Great Lakes), submitted by Hoyt S. Haddock, executive secretary, CIO maritime committee 415

Additional information—Continued
Charts and tables showing—Continued Page
Projected size of active commercial American merchant marine, submitted by Solon B. Turman, president, Lykes Bros. Steamship Co., Inc. 142
Quality of United States flag seagoing merchant fleet, as of April 30, 1953, submitted by Earl W. Clark, Deputy Maritime Administrator:
Active fleet 215
Active fleet in domestic-trade, foreign trade, and other Government agency operations 220
Combination ships (total, active and inactive) 219
Freighters (total, active and inactive) 217
Inactive fleet 216
Tankers (total active and inactive) 218
Total fleet (active and inactive ships) 214
Quarterly average number of employees in the principal private coastal ship-repair yards of the United States, 1939–53, submitted by L. R. Sanford, president, Shipbuilders Council of America 504
Receipts by the former Maritime Commission and the present Maritime Administration on the sale and charter of Government-owned vessels, July 1, 1946, to June 30, 1953, submitted by Earl W. Clark, Deputy Maritime Administrator 205
Seagoing bulk and ore carriers of 1,000 gross tons and over registered under foreign flags as of December 31, 1952, arranged by parent company and their affiliate, submitted by Earl W. Clark, Deputy Maritime Administrator 290
Seagoing dry-cargo ships of 1,000 gross tons and over registered under foreign flags as of December 31, 1952, arranged by parent company and their affiliates, submitted by Earl W. Clark, Deputy Maritime Administrator 300
Seagoing dry-cargo ships, ore carriers, and tankers, of 1,000 gross tons and over constructed in foreign shipyards for the period January 1, 1947, to April 30, 1953, for the account of United States companies and their affiliates and registered under foreign flags, submitted by Earl W. Clark, Deputy Maritime Administrator 314, 315
Seagoing tankers of 1,000 gross tons and over owned by United States companies and their affiliates and registered under foreign flags, as of December 31, 1952, submitted by Earl W. Clark, Deputy Maritime Administrator 291
Seagoing tankers of 1,000 gross tons and over under foreign flags and owned by affiliates of major oil companies incorporated in the United States as of January 1, 1953, submitted by Hoyt S. Haddock, executive secretary, CIO maritime committee 422
Shipbuilding by types and regions since World War II, oceangoing merchant ships over 1,000 tons, 1946–56, submitted by Earl W. Clark, Deputy Maritime Administrator 307
Shipbuilding in United States shipyards since World War II, oceangoing merchant ships over 1,000 tons built and/or contracted for from 1946 to 1956, submitted by Earl W. Clark, Deputy Maritime Administrator 306
Ships of 1,000 gross tons and over under foreign flags and owned by affiliates of parent companies incorporated in the United States, as of January 1, 1953, submitted by Hoyt S. Haddock, executive secretary, CIO maritime committee 419, 429
Shipyard employment, submitted by S. R. Sanford, president, Shipbuilders Council of America 483
Size, composition, and quality of United States flag merchant fleet as of April 30, 1953, submitted by Earl W. Clark, Deputy Maritime Administrator 224
Status of certificates of necessity, submitted by Earl W. Clark, Deputy Maritime Administrator 340
Subsidized operators combined summary of operating-differential subsidy and recapture thereof for the 14 years ended December 31, 1951, submitted by James A. Farrell, Jr., president, Farrell Lines, Inc 138

Additional information—Continued
Charts and tables showing—Continued Page
Tank ship fleets—T2-SE-A1 equivalents (oceangoing vessels, 2,000 gross tons and over) submitted by T. E. Buchanan, general manager, marine department, the Texas Co. 633
Total privately and maritime owned United States flag seagoing active and inactive combination passenger and cargo ships, including troop transports, of 1,000 gross tons and over as of April 30, 1953, submitted by Thomas E. Stakem, Special Assistant to the Deputy Maritime Administrator 278, 279
Total United States ocean-borne foreign commerce, by type of carrier, United States and foreign flag separately, submitted by Earl W. Clark, Deputy Maritime Administrator 303
United States flag combination passenger and cargo ships employed in domestic trade as of April 30, 1953, submitted by Thomas E. Stakem, Special Assistant to the Deputy Maritime Administrator 277
United States flag seagoing fleet—1937–52:
Active fleet—total, foreign trade, domestic trade 260
All types—active and inactive 256
Combination ships—total, active and inactive 259
Combination ships—total active, foreign trade, domestic trade 263
Freighters—total active and inactive 257
Freighters—total active, foreign trade, domestic trade 261
Tankers—total active and inactive 258
Tankers—total active, foreign trade, domestic trade 262
United States ocean-borne export commerce, by type of carrier, United States and foreign flag separately, submitted by Earl W. Clark, Deputy Maritime Administrator 305
United States ocean-borne import commerce, by type of carrier, United States and foreign flag separately, submitted by Earl W. Clark, Deputy Maritime Administrator 304
United States privately owned and Government-owned vessels of 1,000 gross tons and over approved, pursuant to sections 9 and/or 37, Shipping Act, 1916, as amended, for transfer to foreign ownership and/or registry for fiscal years 1946 to and including 1953, by nationality, type, number, and gross tonnage, submitted by Earl W. Clark, Deputy Maritime Administrator 285–287
Unsubsidized modern dry cargo and passenger fleet in the foreign trade analyzed by groups, types of vessels, and employment, as of December 31, 1952, submitted by James A. Farrell, Jr., president, Farrell Lines, Inc 137
Vessels reported delivered since progress report of June 1, 1953, submitted by L. R. Sanford, president, Shipbuilders Council of America 491
Vessels reported launched since progress report of June 1, 1953, submitted by L. R. Sanford, president, Shipbuilders Council of America 491
Yearly average of employment in naval and private shipyards of the United States engaged in construction and repair of naval and merchant vessels, submitted by L. R. Sanford, president, Shipbuilders Council of America 503
Design for peace—statement of Fleet Adm. Chester W. Nimitz, USN. 62
Employment of United States flag merchant fleet 1937–41 and 1946–52, analysis submitted by Earl W. Clark, Deputy Maritime Administrator 238
Foreign Trade of the United States as it Affects Ocean Shipping, pamphlet submitted by Solon B. Turman, president, Lykes Bros. Steamship Co., Inc 152
Letter from—
Brownlow, J. A., president, metal trades department, American Federation of Labor, to John M. Drewry, July 15, 1953, re comparison of time required to build ships 526
Buchanan, T. E., general manager, marine department, the Texas Co., to chairman, August 4, 1953, transmitting information re foreign flag tankships owned by foreign subsidiaries or affiliates of United States corporations 627

Additional information—Continued
Letter from—Continued
Page
Clark, F. Riker, president, American Tramp Shipowners Association, Inc., to John M. Drewry, August 3, 1953, transmitting re manning scale of liberty ships and membership list 367
Donnelly, James L., executive vice president, Illinois Manufacturers' Association, to chairman July 3, 1953, transmitting resolution 562
Galleher, Capt. J. K., operating manager, National Bulk Carriers, Inc., to chairman July 14, 1953, re MSTS 641
Haddock, Hoyt S., executive secretary, CIO maritime committee, to John M. Drewry, counsel, July 23, 1953, transmitting information re membership of unions affiliated with the CIO maritime committee, and Government protection of agricultural industry with tariffs 430
Lieflin, Roy, of Bigham, Englar, Jones & Houston, to John M. Drewry, July 22, 1953, transmitting copy of a report of the Secretary General of the United Nations entitled "Discrimination in Transport Service" 578
Potter, Hon. Charles E., to Hon. John Foster Dulles, Secretary of State, April 24, 1953 43
Potter, Hon. Charles E., to Hon. Harold E. Stassen, Director for Mutual Security, Mutual Security Agency, May 6, 1953 56
Potter, Hon. Charles E., to Hon. Sinclair Weeks, Secretary of Commerce, April 24, 1953 1
Potter, Hon. Charles E., to Hon. Charles E. Wilson, Secretary of Defense 28
Wilson, Rear Adm. Ralph E., USN, Deputy Commander, MSTS, to chairman, July 10, 1953, re operation of British transports *Queen Mary* and *Queen Elizabeth* during World War II 107
Wilson, Rear Adm. Ralph E., acting commander, Military Sea Transportation Service, to chairman, September 8, 1953, re availability of certain foreign flag ships in the event of an emergency 72
Mid-Century America: Empire Without Imperialism, article in United States Naval Institute Proceedings, July 1953, submitted by L. R. Sanford, president, Shipbuilders Council of America 452
Members of Association of American Shipowners, submitted by Hon. Joseph H. Ball, vice president 394
Must We Live in Fear—article in Proceedings of the United States Naval Institute (July 1953) submitted by L. R. Sanford, president, Shipbuilders Council of America 460
Principles of Seapower—address by Adm. Robert B. Carney, USN, February 11, 1953, to the NATO Defense College, Paris, submitted by L. R. Sanford, president, Shipbuilders Council of America 439
Projected size of adequate American merchant marine for future years (excerpts from American Merchant Marine and the Federal Tax Policy, a report), submitted by Hoyt S. Haddock, CIO maritime committee 425
Proposed congressional joint resolution to terminate the application of section 4 of the act of July 15, 1918, submitted by L. R. Sanford, president, Shipbuilders Council of America 508
Proposed explanation of necessity for the congressional joint resolution to terminate the application of section 4 of the act of July 15, 1918, submitted by L. R. Sanford, president, Shipbuilders Council of America 508
Seapower—Keystone of Airpower (article in Reader's Digest, May 1953), submitted by L. R. Sanford, president, Shipbuilders Council of America 449
Summary of legislation and committee action bearing on marine insurance, submitted by Percy Chubb, American Institute of Marine Underwriters 602
Tanker Tonnage Keeps Pace With Soaring World Demand for Petroleum Products—article from the Oil and Gas Journal, December 22, 1952, submitted by Adolph Kurz on behalf of Charles Kurz, president, Chas. Kurz & Co., Inc 654

# MERCHANT MARINE STUDIES

**THURSDAY, MAY 14, 1953**

UNITED STATES SENATE,
SPECIAL SUBCOMMITTEE ON MARITIME SUBSIDIES OF
THE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
*Washington, D. C.*

The subcommittee met at 10:15 a. m., in room G–16, Capitol, Senator Charles E. Potter, presiding.

Present: Senators Potter, Butler, and Magnuson.

Also present: John M. Drewry, special counsel to the subcommittee.

Senator POTTER. The subcommittee is now in session.

As you know, this executive hearing has been called by this subcommittee as the first step in our study and analysis of construction-differential and operating-differential subsidies in the maritime field which we are conducting pursuant to direction of Chairman Tobey of the Interstate and Foreign Commerce Committee. In a letter to Secretary Weeks, under date of April 24, 1953, I have attempted to outline in broad fashion, the scope of our inquiry. But we felt that it would be useful, both to the subcommittee and to you gentlemen, if we could have this informal meeting for a preliminary discussion and exchange of ideas before embarking on more detailed studies and conducting public hearings on the various phases of the problems with which we are confronted.

(The letter referred to follows:)

APRIL 24, 1953.

The Honorable SINCLAIR WEEKS,
*Secretary of Commerce,*
*Department of Commerce, Washington, D. C.*

MY DEAR MR. SECRETARY: Pursuant to Senate Resolution 41, January 30, 1953, I have been appointed chairman of a subcommittee of the Interstate and Foreign Commerce Committee to make a study and analysis of construction-differential and operating-differential subsidies in the maritime field, together with other forms of Government aid to American shipping. In addition to myself, the other members of the subcommittee are Hon. John M. Butler, of Maryland, and Hon. Warren G. Magnuson, of Washington.

In furtherance of its objectives with regard to operating and construction subsidies, the subcommittee will have to give consideration to the basic declarations of maritime policy and all forms of Government participation in merchant ship construction and operation. It is important therefore that the subcommittee review the provisions of existing maritime legislation in the light of present conditions and said declarations of policy to determine whether or not such legislation is adequate to the fulfillment of the policy and if not, to determine what changes should be made, with particular regard to the need for Government aid to shipping and the best and most economical methods of providing such aid.

In general, the subcommittee will direct its inquiry to the following subjects:

1. The size, composition, and quality of the merchant marine today, including the national defense reserve fleet, and the adoption of a tangible and continuing program for replacements and additions to conform to our overall national requirements.

2. A review of existing maritime legislation providing for Government aid to merchant shipping, including provisions for direct subsidies, tax exemption, tax deferment, loans, and mortgage insurance. In this connection, the subcommittee will review the reports prepared by the Commerce and Treasury Departments at the request of former President Truman relative to tax-deferment and tax-exemption benefits to the maritime industry.

3. The need for the types of aid presently provided, the cost of such aid in relation to the results achieved, and modernization of existing law in accordance with new methods or approaches which might more effectively accomplish the desired purposes.

In this connection, I recognize the importance of the highest degree of continuity of established principles and policies in the maritime field, but they must be consistent with existing conditions. Therefore, with the violent economic and political changes, both domestic and international, which have occurred in the 17 years since the enactment of the Merchant Marine Act of 1936, it may well be found that new approaches to the problem of achieving a merchant marine adequate to the national needs must be adopted.

4. Direct Government participation in merchant shipping, including direct Government ownership and operation, general agency operation, and chartering of Government-owned vessels.

5. Clarification of existing law to eliminate hampering ambiguities in the event and to the extent basic changes are not found to be required.

The foregoing is a broad outline of the scope of the studies contemplated by the subcommittee to which I hope you will be able to give prompt consideration in order to be prepared to present your views to the subcommittee at an early date. At the outset, the subcommittee will wish to discuss these problems with you or your designated representatives informally in closed session before proceeding to the more detailed aspects of the matter.

Sincerely yours,

CHARLES E. POTTER,
*Chairman, Special Subcommittee on Maritime Subsidies.*

Senator POTTER. As we view it, the job of studying operating and construction subsidies, which are the basic forms of Government aid to shipping under existing laws, necessarily requires that we make inquiry into other major aspects of our shipping legislation, including basic declarations of maritime policy and all forms of Government participation in merchant ship construction and operation. It is our desire to examine carefully and objectively into all of these fundamental matters in order to reach conclusions and make recommendations most suitable to the national needs under present and foreseeable conditions.

My good friend and colleague, Senator Magnuson, who is a member of this subcommittee was the distinguished chairman of a subcommittee of this committee investigating problems relating to United States Merchant Marine in the 81st Congress. His subcommittee made a most thorough study of problems existing at that time and its recommendations were contained in a final report from the Interstate and Foreign Commerce Committee under date of August 30, 1950 (S. Res. 2494, 81st Cong., 2d sess.). However, since the hearings held by that subcommittee, there have been many changes in the domestic and world situation which make it highly important that these studies be conducted at this time.

In connection with the foregoing, there were before the past three Congresses a series of legislative proposals looking to amendments of the 1936 act which were intended to provide an answer to some of the basic problems of the merchant marine, such as the development of a long-range program of additions and replacements which might be required to provide an adequate merchant marine; encouragement of new construction of vessels; stimulating the shipbuilding industry;

meeting the ship replacement problem arising out of tremendous increases in construction costs in recent years; and overcoming the problem of block obsolescence.

Legislation was enacted in the last Congress, the so-called Long Range Shipping Act (Public Law 586) which was calculated to meet some of these problems. It was recognized by all concerned, however, that the enactment of that bill in the form in which it passed the Congress did not by any means provide a complete answer. Accordingly, the conferees of both the House and Senate, and former President Truman directed the Commerce and Treasury Departments to proceed immediately to make studies in as much detail as time would permit into the needs of the merchant marine and the problem of developing methods of providing aid to the maritime industry. This subcommittee in connection with its duties, was also directed by Chairman Tobey to review the reports on tax deferment and tax-exemption benefits prepared by the Commerce and Treasury Departments on the above subject.

At this time, we would like you to tell us of the major problems facing you in the administration of our national maritime policy so that we may understand them and more intelligently conduct these studies.

With that preliminary statement on our behalf as to the purposes of these hearings, we would like, first, to receive the views of the Department of Commerce. We are honored in having with us this morning Under Secretary of Commerce for Transportation, Robert B. Murray, who will be the first witness.

Mr. Murray, we are delighted to have you here.

## STATEMENT OF HON. ROBERT B. MURRAY, UNDER SECRETARY OF COMMERCE FOR TRANSPORTATION, DEPARTMENT OF COMMERCE

Mr. MURRAY. Thank you, Mr. Chairman. I am, Mr. Chairman, very grateful for this opportunity of first being able to explain in executive session some of the major problems in the merchant marine field with which the new administration is faced. The problems of the American merchant marine, as the carrier of a portion of American commerce in foreign trade, as the forth arm of our national defense, and as an instrument of our foreign policy, have existed in much the same form ever since we first developed, by force of hard necessity, a modern merchant marine, during World War I.

I will not canvass past history, which I am sure is well known to the members of this subcommittee. I will, however, canvass certain of the major problems which the Department of Commerce is now actively studying. As yet, neither I nor the new administration have any considered answers to these problems. I make no apology for this. We have been in office only 4 months. We do not propose either to jump at conclusions or to give hasty or but partially considered recommendation. The problems are of long standing. They must, I believe, be thought through with a fresh mind and with an objective viewpoint before answers can be developed upon which the Secretary of Commerce is ready to take a stand.

A task force from my office, with the help of personnel in the Maritime Administration, is now assembling the facts and the conflicting

considerations which must be analyzed and resolved before sound recommendations can be given to the five problems specifically raised in Senator Potter's letter to Secretary Weeks of April 24, 1953. I will, if I may, summarize where we now stand in our staff work, which is the necessary antecedent to our recommendations.

First, with respect to the size, composition, and quality of the American-flag merchant marine that we need today, a joint Maritime Administration-Defense working group has been established. I might also say that we have had very recent contact with the Bureau of the Budget and they are also going to join in on the studies which we now have under way. That is vitally necessary to bring them in at the very beginning of this picture because of the interrelation of the various departments as well as the fact that they have a final responsibility on those activities also.

Members of the Maritime Administration staff are currently meeting with representatives of the Department of the Navy to develop the size and character of a merchant marine capable of expansion to the needs of full mobilization. As the committee can appreciate, this is a complex, time-consuming task, and, of course, the end product must be subject to adjustment to meet changes in full mobilization requirements growing out of any revisions of strategic planning.

I am happy to report that the joint study group has already reached tentative conclusion as to the overall size of the operating merchant fleet needed for national defense. I understand that Admiral Wilson, Deputy Commander of the Military Sea Transportation Service, will furnish testimony on this subject at some subsequent date. The joint group will continue to address itself to the national defense requirements for shipbuilding and ship operations, including the maintenance of an adequate national defense reserve, and we are confident that their conclusions will be of great value in assisting in the formulation of long-range shipbuilding and ship-operating programs.

Senator BUTLER. Mr. Secretary, at that point, doesn't that primary study depend a great deal on the type of policy that we are going to adopt with respect to the defense of Europe and the other outlying bastions of the free world?

Mr. MURRAY. I think so.

Senator BUTLER. Are we calling in all of the various departments?

Senator POTTER. Yes. The Department of Defense will testify this afternoon, and also the Department of State.

Mr. MURRAY. That is absolutely essential. That is why we have already started this work between Defense and the Maritime Administration. That will necessitate perhaps, as I have just said, making adjustments from time to time in the program as their own strategic plans change.

Senator POTTER. Do you plan on having a continuing study? The world situation changes rapidly, and our policy many times changes quite rapidly. Do you plan on having a continuing liaison between the Department of Defense, Department of State——

Mr. MURRAY. We will have to do that. At the same time I am sure everyone appreciates the fact that we have to make rather basic, sweeping assumptions in any program of this sort. It is a program that takes many years from the time you make a decision until the ship is operative.

You have to have some basic assumptions of a long-range nature. We will have to do that.

Senator BUTLER. I ask what appears to be an obvious question, but the ramifications of it are such that it may not be so obvious as it appears at first glance.

Mr. MURRAY. It is a serious consideration that we have to have. From any long-range point of view, the only situation that could upset some of the basic assumptions would be a major change.

Senator BUTLER. This is an executive session. For instance, suppose the incoming Joint Chiefs should decide that a land army in Europe is not the way to defend America. That would drastically change our whole program and our whole point of view on this subject. It would seem to me they must have time to consider what their overall strategic plan is going to be.

Mr. MURRAY. That is right. I am sure we will maintain very close liaison between the various departments, closer than I think perhaps we might have had at times in the past. All the problems are intertwined. The State Department comes into the situation because our merchant marine is really an instrument of our foreign policy. That must also be considered.

Mr. DREWRY. It is your thought, Mr. Murray, that you will set up this program between Defense and Commerce so that it can be subject to constant adjustment as changes dictate; is that right?

Mr. MURRAY. Yes; realizing again that you can't be up one day and down the next.

Senator BUTLER. It will never be below a definite floor? A floor will be set that will be a safe minimum?

Mr. MURRAY. That is right.

Senator BUTLER. It seems it is quite a problem, one that would be subject to change every day. I wouldn't be surprised at all if the Joint Chiefs didn't revise their thinking of how we will defend the country.

Mr. MURRAY. That is the major reason why the attempt to give any quick answer to this problem is a great mistake. It is going to take, I think, the best thinking of all of our various groups to come up with the kind of answer that we need to come up with. I know of no problem facing the Commerce Department that is more complex than this subject which we are discussing now.

Second, with respect to a review of existing maritime legislation, my office is reviewing the report of the Maritime Administration, The American Merchant Marine and the Federal Tax Policy, and the related report on the same subject of the Treasury Department dated November 1, 1952, in the light of the former President's message to Congress of January 16, 1953.

I understand also that the Treasury Department, as we all know, on its own is reexamining the entire Federal tax policy. That will also, as soon as that is announced, be a basic part of any study that we make, the various tax deferments that may be either allowed or disallowed.

So that we are not in active touch with the Treasury at the moment because they are not ready for us to be, but we will be soon.

Senator POTTER. They are making a study of the problem?

Mr. MURRAY. Of the entire tax problem, not confined to this problem at all. Our problem here will be a part of the overall situa-

tion. We are also making at least a preliminary review of existing maritime legislation. However, this review cannot get into high gear and our work cannot reach fruition until, with the aid of the Department of Defense, we have first established the primary objective of how large an American-flag merchant marine the United States should keep in active operation under present international conditions and the type and quality of ships which should compose such a merchant marine. Once this objective has been firmed up and definitely defined, the legislative means of achieving or maintaining such an American-flag merchant marine can then, and only then, be crystallized.

Third, with respect to the cost of aid presently provided in relation to the results achieved, the starting point of the new administration on this aspect of the study is our firm conviction that no more dollars should be spent on the American-flag merchant marine than we need to spend to achieve or maintain our objective, and that the taxpayers of the United States should get full value for every dollar spent by the Government for its maintenance. Until the study now underway is complete, I am in no position to say either that the present forms of aid, principally construction subsidy, operating subsidy, and tax deferment, are or are not producing a dollar's worth of value to the United States for each dollar of cost to the taxpayer.

Senator POTTER. Was that the reason the $118 million was removed for construction subsidies from the Truman budget?

Mr. MURRAY. The reason that amount was removed, Mr. Chairman, was that, as you know, this administration set up certain criteria for the essentiality of new construction programs.

I am not completely familiar with what the whole aspects of those criteria were. However, in an overall review it was decided that the construction program did not meet that essentiality this year, that it was possible, for example, for the 2 Grace Line ships, the steamship *Santa Paula* and the steamship *Santa Rosa* would be allowed to operate another year on a waiver, and the 3 Moore-McCormack passenger vessels which were to be replaced by 2 new vessels might continue for another year under waiver.

There appeared to be in the shipyards, at least for this year, enough construction to keep the shipyards at a minimum of activity so that this matter could be postponed for consideration for another year.

Senator POTTER. I note where the Commission acted favorably on the construction subsidy application of the American-Hawaiian Line to convert C–4's to oil carriers. Do you consider that in a little different category than the replacement of the Moore-McCormack and Grace Line ships?

Mr. MURRAY. I would say——

Senator BUTLER. And I have discussed this matter quite often—that the American-Hawaiian came to the Maritime Commission with an application for this conversion. Under the Maritime Act it was a proper application. It was considered on that basis.

We have a peculiar arrangement, however. The Maritime Board is able, if they so desire, to approve applications without at any point knowing whether funds are going to be available for the construction which is covered in such an approval. In the situation of the American-Hawaiian, as I say, the application was received. It was a proper application and came within the act, and the Board did give approval

to that application in principle, pointing out very clearly that it in no way carried any commitment whatsoever that there would be funds provided, either now or at any subsequent date.

It was simply the fact that the application was a proper one and could be approved, and it was approved on that basis for whatever good that will do American-Hawaiian, with no commitment whatsoever as far as any amount of funds whatsoever being attached to it.

It is my understanding that the administration will not ask for funds for that project during this fiscal year.

Senator MAGNUSON. I don't quite understand what you mean, "the administration will not ask." You are familiar with the 1936 act, aren't you?

Mr. MURRAY. Yes, sir.

Senator MAGNUSON. The Congress said that ship construction under the terms of that act and under the philosophy of it should go ahead. It isn't what any executive department says about it. You can't thwart the purposes of the act by merely saying that the Bureau of the Budget is not going to ask for a certain amount of money.

Mr. MURRAY. Well, Senator——

Senator MAGNUSON. Who made this policy ruling, do you know? Was it Mr. Weeks, yourself, or both, or the Bureau of the Budget?

Mr. MURRAY. I think this was an overall—I think there were more people involved in it than Commerce.

Senator MAGNUSON. The overall policy, which might apply to public works, ship construction, and so forth, was that there should be no money asked for for anything new.

Senator MAGNUSON. It was the philosophy of no new starts for anything. That has been applied down to the Maritime Commission, whereas Congress said and directed that whoever the executive department is they should do certain things under the 1936 act. Congress can deny the funds, but the question of whether you ask for them or don't ask for them hasn't——

Mr. MURRAY. Congress at the same time, of course, can also reinstate funds that have not been asked for, if they so desire. We realize that.

Senator MAGNUSON. I am not criticizing what you are doing. But you people under a general directive have now decided, "We are not going to spend any money for anything new," but you have decided then to let these acts, these directives of Congress just sit there and say, "We are just going to take a look at them."

Mr. MURRAY. The act authorized the executive department to come to Congress with a request, which does not specify any particular amount.

Senator MAGNUSON. That naturally follows. It seems to me that your directives down there should stem more from what the purposes of the 1936 act are, the directives of Congress, than what the Bureau of the Budget says about the expenditure or the outlay of a certain amount of money.

Mr. MURRAY. The matter was pretty thoroughly canvassed, and was decided for this year it would be a proper situation.

Senator MAGNUSON. I think on individual applications——

Mr. MURRAY. To make a deferment.

Senator MAGNUSON. The act puts the onus upon you, on individual applications, to say that this one shouldn't be granted or this one

should. But to have an overall approach to the thing, just a blanket approach, which I think is just going through the back door as to what the 1936 act directed, is not right. If we don't want to do that, we ought to repeal the approach of the 1936 act.

Mr. MURRAY. We have an overall national problem at this time, as we all know. Each individual item has to fall into its proper place in view of the overall national problem.

Senator BUTLER. It seems to me this is a very important thing, when we realize that we have no American tonnage available to do the job that these three vessels will do when converted.

We have the Labrador mines opening up in mid-1954 with no available tonnage, as I have said, to carry that ore. We have certainly no oversupply of tankers. These vessels would be used for tankers when they are not being used for ore carrying. In view of the present emergency, it seems to me that is one of the top-priority things that the Commission should give its attention to.

Mr. MURRAY. That is one purpose of tying in this whole problem with the Defense Department, to come up with a program——

Senator BUTLER. It is true that we don't have any surplus of tankers. We certainly have no available tonnage for this particular purpose. We do have those mines opening up in mid-1954. We have no American cargo space to carry them.

I think we ought to do something about it, especially when you take the whole thing, overall, that if we do it here in the American yards we are going to get most of the money back, anyhow, whereas this work is going to go abroad and we won't get a dollar out of it.

Mr. MURRAY. That is why I am hopeful we will come up with a careful piece of work here that will guide us.

Senator MAGNUSON. Mr. Murray, I listened carefully to your talk down at the transportation luncheon. I was interested in what you had to say. It seems to me the approach may be all right, but as to the overall approach of saying, "We are going to freeze maritime activity until we—the executive department—take another look," is another thing, and Congress never intended that act to be frozen for a period of time.

Mr. MURRAY. I am sure that Congress expected the act to operate to the best possible advantage, and that is what we are trying to arrive at.

Senator MAGNUSON. You say there is enough construction. How many ships do you think are being constructed in the American yards today?

Mr. MURRAY. About 48 ships for private account, some for American flag, some for foreign, oil tankers.

Senator MAGNUSON. How many cargo ships?

Mr. MURRAY. The only ones are in the Government program, 35 Mariners.

Senator MAGNUSON. As far as I know, there is not a single dry cargo ship on the ways.

Mr. MURRAY. We have this Mariner program, which is a pretty good-sized program.

Senator MAGNUSON. But nobody wants to buy those.

Mr. MURRAY. They are going to be built, as far as the shipyards are concerned, whether they will be bought or not. A desire has been expressed by the Pacific Far East——

Senator BUTLER. There is another point concerning the yards with new construction. You may have enough work to carry you over, but yards that do nothing but repair and conversion work are not in that position. They are a very great part of your overall maritime and defense picture. If you put those yards out of business at a time of emergency like this, and have to reactivate them all of a sudden, it would cost the Government many, many more millions of dollars than this program would cost.

Senator MAGNUSON. They had the same sort of program in the 1930's. We ended up spending almost billions of dollars reactivating yards because we found that no matter how much the free world, with all the other tonnage, gives us, the assurance that they will pool in with us, the bulk of the transportation had to be handled by the American merchant marine in time of emergency.

You will want to take a second look at it, and you will want to look at individual applications. I have been sitting for weeks on an appropriation committee and everybody comes in with the same thing, of coming through the back door in reference to what Congress said to the executive. The executive doesn't have the authority of discretion to look at these things. Congress said certain things should go ahead. If they don't want them to go ahead, they should ask for the Congress to repeal the act.

Mr. MURRAY. I think we have made clear that we do not want to interfere with any part of the shipbuilding program.

Senator MAGNUSON. No; but the act says you should do more than that. The act says you should go ahead and get behind and push.

Mr. MURRAY. We expect to push. At the same time we don't want to push in the wrong direction, and we don't want to waste any money at this time. We have a real problem to be sure we are pushing in the right direction, with the amount of funds that are the necessary amount of funds. We don't have any desire or any intention at any time to come to Congress with other than a well-considered program within the 1936 act.

Senator POTTER. Mr. Secretary, wasn't there also a certain amount of frustration caused by the action started by the Comptroller General in regard to the construction subsidy program?

Mr. MURRAY. I am coming to that in about another second; yes, sir.

Senator POTTER. Which I assume, if I were in your position, I would wonder myself just what we can do with the Comptroller challenging the discretionary power of the Board.

Senator MAGNUSON. I don't think any one player on the team should get upset because the left end is trying to tackle him occasionally. I think you go right on carrying the ball. I used to do that.

Mr. MURRAY. We are going to have a pretty tough time, I think, in any private financing we will get.

Senator POTTER. It is more than the Government; it is the prospective ship buyers. Until that issue is cleared up, I don't think you will find many people who will be interested in a construction subsidy until they know that a Government contract is a Government contract.

Mr. MURRAY. I think if we could ever get that one settled there is a possibility of a great amount of private funds going into the shipbuilding field for private account. That would be, as I have said to

you and others, a great day for the shipping industry, if we can arrive at that.

Senator POTTER. We have to settle this problem first, don't we?

Mr. MURRAY. I would say so; yes.

Senator BUTLER. Is the administration doing everything it can to get that problem settled?

Mr. MURRAY. Yes, sir.

I will say this, however: The present and future usefulness of the construction subsidy provisions of the Merchant Marine Act of 1936 has been seriously jeopardized by the uncertainty surrounding the vessel sales contracts which, since the war, have been made under title V of the act. These uncertainties in the ship construction picture make extremely difficult, if not impossible, sound business planning by existing and potential purchasers of ships built and sold under title V of the act. I will also say, on the other hand, that the operating subsidy program, based on the principle of achieving parity between costs of operation under the American flag and costs of operation under competing foreign flags, has maintained regular American-flag service with modern, safe vessels on our essential foreign trade routes. Whether the essential trade route concept is sound and should be continued, whether the principle of parity should be carried to its full extent notwithstanding the high level of American wages both at sea and at shore, are problems which we now have under active study, and which, of course, we will report back to this committee at the end of our study.

Senator POTTER. How long do you anticipate your studies will last?

Mr. MURRAY. Three or four months.

Senator MAGNUSON. In other words, the principle here as stated by law. Is the study being made to suggest proposed changes in the law?

Mr. MURRAY. We may wish to suggest proposed changes; yes, sir. I don't know.

Senator MAGNUSON. If the study is being made to say amen to the law, there it is.

Mr. MURRAY. The basis on which we have approached this, and we discussed the matter with Senator Potter, is that this is 1953. We have problems in 1953 and situations in 1953 which we did not have in 1936.

We are trying to approach this with as open a mind as possible as to what is necessary to maintain an adequate privately operated merchant marine under conditions that exist in 1953 and as far into the future as you can see.

Senator POTTER. Because we have some serious problems that I know you recognize and are familiar with, that the planning we do now will make the solving of those problems at a later date much easier. I am thinking particularly of this block obsolescence which we are faced with. It takes some long-range planning.

Mr. MURRAY. What we have hoped to do is come up with what it looks as if we need here in 1953. If it would appear that it requires any change in legislation, we could come to the Congress and ask for those changes. If no changes are necessary, we will also acquaint you with that, and then we are in your hands.

The purpose is to review this in the light of the changes in the situation since 1936.

Senator BUTLER. In the meantime, there would be no deviation from the concept laid down by the law of 1936?

Mr. MURRAY. No.

Fourth, with respect to direct Government participation in merchant shipping, Secretary Weeks and I are firm believers in the basic proposition that the Government should rely upon and utilize private American industry and free enterprise to the extent consistent with economic and security objectives. Thus, it seems clear to me that the various proposals which are before the Congress to require the transportation of United States Government cargo and passengers in ships which are privately owned and operated to the extent that this can be done at fair and reasonable American rates and charges, seem to me in principle to be highly desirable.

Senator BUTLER. Sometime back there was a suggestion that we turn over all of our cargoes to foreign bottoms. Of course, you are not in sympathy with that sort of proposal?

Mr. MURRAY. Personally, no.

Senator BUTLER. I think there was some arrangement among the NATO countries that all of our foreign travel and cargo to and from those countries would be carried in their bottoms.

Mr. MURRAY. As you know, the situation at the moment is that 50 percent of the mutual security commodities will go in American bottoms. That is a very involved question, and it involves other departments than the Department of Commerce. It involves our whole foreign aid, international trade concept. Any decision on that, I am sure——

Senator BUTLER. We want the Department of Commerce to be on the lookout for that sort of thing.

Senator MAGNUSON. What decision can you make on 50 percent?

Mr. MURRAY. It is in the law. When I say, "any decision," I am not talking about any executive decision; "any change," in that, I should say.

Senator MAGNUSON. That was in every foreign aid bill, that 50 percent, but it is now the law. If we want to change that, that is another story.

Mr. MURRAY. As it now stands, it is under active discussion at the moment.

Senator MAGNUSON. That 50 percent was sort of taken out of the hat.

Mr. MURRAY. As you know, general agency operation of Government-owned ships since the outbreak of hostilities in Korea has been resorted to only when necessary to meet critical shipping shortages which seriously interfere with carrying out Government security and mutual-aid programs. As soon as, and as fast as, private tonnage became available to carry such Government cargoes at reasonable rates, our general agency ships were returned to the Reserve fleet.

Senator BUTLER. I don't know how the other members of this subcommittee feel about it, but it seems to me that the constructions of the St. Lawrence seaway would only take the midwestern commerce of the United States and turn it over to foreign bottoms. If that comes into the study, I want to be heard on that.

Senator POTTER. I love you like a brother, but I wouldn't agree with you on that.

Mr. MURRAY. I noticed that Senator Potter took his glasses off when you started on that, Senator.

Senator BUTLER. I think it is a provable item, and certainly a fact, that we can't get as much as 10 percent, maybe not as much as 5 percent of our merchant marine, through a 27-foot channel; if that is not turning our commerce over to foreign vessels, I don't know what it is.

Senator MAGNUSON. I am glad I am on the west coast.

Mr. MURRAY. Similarly, Government ships are chartered for private operation only on the basis of findings, after public hearings, that the ships are to be used on a service required in the public interest and not adequately served, and for which privately owned American-flag tonnage is not available for charter on reasonable conditions and at reasonable rates.

Fifth. With respect to clarification of ambiguities in the existing law, once fundamental objectives are determined and the basic legislative approach is agreed upon, the difficult problems of interpretation which have been experienced under the statutes as they now stand can be clarified one way or the other through appropriate congressional action. This is a problem of technicalities, not of major substance, at least at this early stage of our study.

May I revert to our fundamental problem: that of the high level of American wages which puts American-flag ocean shipping in foreign commerce at such a disadvantage? One aspect of this problem which should be examined is the need and desirability for some measure of subsidy to American-flag tramp and industrial carriers not committed, as are the subsidized lines, to serving one or more essential trade routes on a regular, scheduled basis, as common carriers. This, in turn, brings up the question whether we should continue to adhere to to the essential-trade-route concept or whether American-flag operators drawing subsidy should be free to ply any and whatever trade routes may from time to time offer the best chances of profit.

Senator MAGNUSON. We have two pieces of legislation before us on that. I suppose they will be sent down for a report from your Department.

Mr. MURRAY. I just think we have no ideas on the subject at this particular time.

Senator MAGNUSON. It has been up here many times.

Mr. MURRAY. They are the various problems that are up that we need to look into. The fact is that I almost hate to mention them because it always makes people nervous. But the fact remains that these are various considerations that need to be studied and looked at right now.

Senator BUTLER. This is off the record.

(Discussion off the record.)

Mr. MURRAY. It brings up the question whether subsidized operators should be free, in unrestricted competition with each other, to flock to whatever trade route has the largest cargo offerings, leaving the berths on the less profitable routes to grow cold or to be taken over by foreign-flag lines. It brings up the question of whether operating subsidy should be paid for the maintenance of a service to carry the foreign commerce of the United States or whether some other standard should be substituted such as the operation, as such, of ships meeting certain minimum standards of age, size, and speed. Thus,

even after we have determined, in consultation with the Department of Defense, the minimum nucleus of American-flag ships which should be kept in operation under present international circumstances, we are still faced with the most far-reaching questions as to the basic philosophy which should underlie the grant and administration of aid in one form or another necessary to equalize the difference between American-flag and foreign-flag costs of operation.

So far, I have touched on the major problems in the operating field. No less important, both from the point of view of defense and the overall health of our national economy, is the maintenance of adequate shipbuilding and ship-repair facilities. The American shipbuilding industry, which, with the exception of ships which are to be documented under the American flag, likewise competes in an international market, is faced with the similar problem of high wage costs which, because of the absence of mass production and its techniques, cannot be translated into competitive lower unit costs.

The necessity for maintaining a reasonable mobilization base for production in the shipbuilding field is, I believe, obvious. Prior to World War I, our Nation had no shipbuilding industry, yards, ways, skilled labor, or management experience. Such an industry was created under the pressure of that war. Despite the vast expenditure then entailed, only a handful of the World War I built vessels were ready in time for war use. Again, just prior to World War II, this country had some ships and some major shipyards in operation. I think it is clear that, unless there is a going industry and management experience in existence at the outbreak of a war, the time required to build and man an industry is greatly prolonged because of the absence of an existing nucleus around which the expansion may take place. Had we not had this nucleus at the beginning of World War II, there is grave doubt whether completely new ships and the many new shipyards could have been built and operated in time. The minimum nucleus of an existing, operating American shipyard industry, at least from the point of view of national defense, is one of the subjects now under study by the joint Maritime-Defense Department working group to which I have referred earlier.

The maintenance of a merchant marine under American flag, and the orderly replacement of American-flag ships as they become overage, are, of course, directly related to the maintenance of the American shipbuilding industry. In the absence of an American-flag merchant fleet, our American shipyards, with their high cost of labor, would, of course, be at a serious and probably a fatal competitive disadvantage as against the other major shipbuilding centers of the world which can produce ships at only from 50 to 60 percent of the cost of construction in the United States. Thus, the problem of maintaining an adequate operating American-flag fleet cannot be separated from the problem of maintaining an adequate operating American shipbuilding industry. The importance of the shipbuilding industry to national defense is self-evident. During the last war, the percentage of Government expenditure for wartime shipbuilding facilities was exceeded only by the percentage of expenditure devoted to two other industries: ordnance and aircraft manufacture.

Back to the operating field, while our survey is by no means complete, very detailed statistics are now being gathered on seafaring wages paid by American-flag operators, both common and contract

carriers, dry bulk carriers, and tankers, during recent years, and the successive increases which have been negotiated between the lines and the approximately 25 unions in the maritime field. Our research will develop not only data on monthly wages for all classes of licensed and unlicensed seamen but also comparisons between those paid on tankers, dry-cargo ships, bulk carriers, Government-operated ships, and so forth. Data is also being developed on the annual increase in wages over preceding years. This is further being broken down into wage-cost data on the various trade routes both on a monthly and a voyage basis.

Additional statistical information is being developed on fringe benefits and other costs now paid by American-flag operators. The statistics on strikes are being collected, and will be included in our reports and testimony to this subcommittee.

For each of the subsidized operators, the wage differential used to figure operating subsidies will be set forth so as to show the practical impact upon the subsidy picture of the rising level of wages, not only internally in the United States but as it is reflected in the American-flag merchant marine.

Charts are being prepared showing the trend from 1937 to date of the average ship-expense cost per voyage-day of average monthly wage costs, and, finally, such comparisons as may be possible will be drawn as between seagoing wages and shoreside wages. It takes time to collect and classify these data. It will take some time for us to study and evaluate them and to draw the conclusions to which the facts will point. We shall, however, do so just as rapidly as may be consistent with thorough workmanship.

I am sorry, of course, that I cannot come up here today with fully considered answers not only to the five specific questions raised in your chairman's letter of April 24 but to the more fundamental problem of what should be the American merchant marine policy of the United States under present-day conditions. I know, however, that the members of this subcommittee are too wise and too well informed to expect us to have the answers at this early date, if they are to be our own answers, based on our own study and consideration of the problems and circumstances which should dictate their solution. If, however, this subcommittee has any questions with respect to the past administration, or the disposition which it has made of other problems arising under the several statutes which it administers, Mr. Gatov and I will be glad to go into them in whatever detail you may wish.

I would also like to say that, along with our own study, we have appointed a committee making up various segments of the merchant-marine industry, who are also working on this same problem, because we want those people who have such a great interest in the situation to be part of our consideration.

We are going to work with them in any way we can, to get their points of view. We hope that they may come to us with an industry-wide suggestion as to how best to continue a privately operated American-flag——

Senator POTTER. This is your so-called Committee of Nine?

Mr. MURRAY. Yes. We have picked them from all segments, the subsidized, the unsubsidized, the tramp, west coast, east coast, and Gulf are all represented on this committee.

Senator POTTER. I think it would be desirable for the record if you would supply us with the people and whom they represent on that committee.

Mr. MURRAY. General Franklin, of the United States Lines; Mr. Mallory, of Grace; Mr. Lykes, of Lykes; Mr. Sevier, of Matson; Mr. Bull, of Bull; Mr. Sinclair, of Luckenbach; Mr. Gammie, of States Marine; Mr. Gamble, of Esso; and Mr. Ryker Clark, representing the American-foreign group.

They have already had a meeting. I am hopeful they will come up with some useful information. I think it is urgent and vital that they do so. I would hope that anything we came to you with would be in line with that.

Senator POTTER. If you get that group representing so many varied interests to agree on a program, you and they will deserve a great deal of credit.

Mr. MURRAY. I am under no illusions about the problem, whatsoever. I just feel it is so essential to that particular group, more than to any other group, that they show a brand of statesmanship that overcomes their own individual differences, and realize that the American people have a stake in this situation.

With proper consideration, and with the experience they have had and the stake they have in this situation, I think they may be able to come up with some recommendations that we will be able to bring in, in good faith, to your committee.

Senator POTTER. At the present time, how do you determine your construction subsidy cost, as it relates to the cost in foreign yards? Who makes that determination? How is that done?

Mr. MURRAY. It is a very involved process. In the first place, we have to decide what trade route, what foreign shipyard would have built that ship on that particular trade route. Having picked that out, then the various costs that are involved in the construction of the ship in that particular foreign yard is determined.

Senator POTTER. Who makes that determination?

Mr. MURRAY. That is prepared by the Maritime Administration, as to the technical end of it. It must be approved by the Federal Maritime Board, as to the construction costs and arrangement of subsidy.

Senator POTTER. I was under the impression that the Department of State actually did the checking.

Mr. MURRAY. No, the only basis for that is overseas—let me go back a few years—there was a time when the Department of Commerce had people overseas. That no longer exists. There are people in the Department of State that have been used——

Senator MAGNUSON. You use the shipping representatives?

Mr. MURRAY. Yes, to collect the information, which they send back.

Senator POTTER. And the evaluation is made by you, here?

Mr. MURRAY. Yes.

Senator MAGNUSON. The figures are very elusive, and it is most difficult to get it together?

Mr. MURRAY. Yes.

Senator MAGNUSON. They change from time to time?

Mr. MURRAY. Yes. As a matter of fact, you have a beautiful example of that in your Mariner program where, depending on our

own national conditions and the changes in them, there can be a real difference between the first Mariner that is put down and subsequent ones, as to what that cost differential would be, which will be a problem that we will have to talk to you gentlemen about at some point.

Senator MAGNUSON. I don't know how you can figure it, for instance, as to the Japanese. It is almost impossible to figure a true evaluation of their construction costs.

Senator POTTER. Has the Board given any thought to determining the cost in foreign yards, of just setting an arbitrary, that half the cost, or some cost of the ship would be determined?

Mr. MURRAY. Mr. Gatov will have to answer for the Board.

Senator POTTER. Are there any questions, Senator Butler or Senator Magnuson?

Senator MAGNUSON. I haven't any questions. I think this should be an informal discussion. Mr. Murray, you constantly refer to the fact that you are making the study to determine what should be the policy. Those are your exact words. That, I don't understand. The policy is set. You are the administrator of the policy that has been set.

Mr. MURRAY. Well, Senator, it has been a long time——

Senator MAGNUSON. There is discretionary power in the administration of the act as to individual-application cases. You are the administrator of the act. The policy is set.

Mr. MURRAY. We are, as I am sure you know, operating under the act today, and we will continue to do so. It is not unusual, however, for the executive department to come to the legislative and make suggestions as to how a situation might be remedied by other legislation. That is all we propose to do.

Senator MAGNUSON. That is right, and which I suppose you would do after a while. But in the meantime, until the act is changed, signed, sealed, and delivered and becomes a public law, or an amendment to the 1936 act, it is your duty to go ahead with that policy, whether you believe in it or not.

As a practical matter, I will guarantee you—I know Congress pretty well—that there will be no changes made in the Merchant Marine Act. There might be some at a later date. In the meantime, this is the policy that is laid down.

Mr. MURRAY. Senator, nothing that I have said today is to be construed otherwise. I thought I had answered in response to a direct question that we are operating under the policy of the 1936 act. We contemplate no change, whatsoever, in any part of that.

We are not making new policy, but are acting under it today. We are operating under the 1936 act. We are well aware of the fact that we should do so, and we will do so. At the same time, we are examining into the maritime situation as it exists in 1953, and will feel very free to come to this committee with any suggestions that come up as a result of our examination, with a request that this committee sponsor legislation which they reserve the right to do or not to do, and if that legislation is passed, then our administrative operation will be changed to conform to the act.

Senator MAGNUSON. What I am fearful of is—while you are making the study—instead of following the policy under the act, fostering it,

taking the initiative to push the policy, that we may be for months literally standing still.

Mr. MURRAY. The Maritime Administration is going ahead as if no study were being made at all. They are continuing to operate, and the Administrator is under such instructions to continue to operate under the 1936 act.

Senator MAGNUSON. I think that is the way it should be. I say I am fearful about it. I have seen it happen so many times. I think time is running out on us on this Merchant Marine situation.

We are going to wake up one of these days, unless we do something, and find ourselves not only with block obsolescence but find that our American flag is going to gradually disappear.

Mr. MURRAY. As I said before you came, I think this is the most complex problem that the Commerce Department faces of all its problems.

Senator POTTER. The thing that has disturbed me, and I think a a lot of people, is that this is not a new problem. Since the end of the war, our merchant marine has been drying up. I don't know what would happen if the Korean war hadn't come along. It is nothing new. I am happy to see that the Department is giving it some serious study.

I agree with Senator Magnuson that certainly everything shouldn't stop while that study is being made. I do think it calls for some serious study and probably some recommendations for legislation to meet some of the problems that we are not meeting now under existing law. If it is a matter of legislation, where the administration hasn't been able, to push it as it should, I will say frankly that members of Congress as Senator Magnuson and Senator Butler well know, do not know about it, that there are not a half dozen members of Congress who are familiar with the maritime problen, and you have to kind of hit everybody over the head to get them to go along with the fundamental solutions to some of these problems.

Senator MAGNUSON. Did you testify on the Weichel bill?

Mr. MURRAY. Not yet.

Senator MAGNUSON. Have there been any applications under the so-called modified long-range bill?

## STATEMENT OF A. W. GATOV, MARITIME ADMINISTRATOR AND CHAIRMAN, FEDERAL MARITIME BOARD

Mr. GATOV. Yes, sir. There is an application that we are processing now, Senator, for the coustruction of 6 tankers under the construction differential subsidy applicable to all vessels if they are in foreign trade. As a matter of fact, I think it was your bill.

Senator MAGNUSON. There is very little interest in dry cargo?

Mr. GATOV. Yes, sir, and principally for the reason that the existing dry cargo fleet is still competitive and relatively young.

Senator MAGNUSON. We were trying to look ahead to that.

Mr. GATOV. You reduced the trade-in period to 12 years.

Mr. MURRAY. You get back to this obsolescence problem. They are going to be faced with much higher costs than the cost at which the ships were produced in the first place, which will be a problem on top of a problem. So we really have a serious one.

Senator MAGNUSON. Have you made any formal testimony as to the cut the House made in commerce appropriations? You appeared before the House?

Mr. MURRAY. We appeared before the House. We also had appeared before the Senate prior to the time the House bill came over. We have been in touch with the Senate as a result of the cuts which the House made.

Senator MAGNUSON. Haven't they changed the jurisdiction over there of Maritime?

Mr. MURRAY. Yes.

Senator MAGNUSON. I think it still comes to us under Commerce.

Mr. DREWRY. Yes.

Mr. GATOV. The only change made was in the Appropriations Subcommittee. It was changed from the Independent Offices Subcommittee to Commerce, Justice, and State Subcommittee.

Senator MAGNUSON. Have you any opinion on the voyage limitation? Can you live with that?

Mr. GATOV. You talk about the Maritime Administrator being responsible for the dynamic progression of the Merchant Marine Act of 1936. The Maritime Administrator is in favor of a strong actively expanding American Merchant Marine, but every once in a while the Congress in its wisdom puts a brick wall in front of that dynamic effort to expand our merchant marine.

One of the brick walls is represented by the voyage limitation. We are due to hold quasi-judicial hearings concerning the voyage limitations, expanding existing routes, and so forth. I would not say it was a senseless gesture, but it is nonproductive. We end up with a new trade route but without funds to get it going in business.

Senator MAGNUSON. My point is you still have to beat your head against a stone wall. It may give some day.

Mr. GATOV. My predecessor made the statement that we are opposed to the voyage limitation, in that you can't promote and encourage the merchant marine as set forth in the 1936 act and change that legislation through appropriations. You are all familiar with that story.

Senator MAGNUSON. Maybe I can help a little bit on that, and other things, too.

We will be confronted with that. I just wondered if you could live with it.

Mr. GATOV. We are a very flexible organization.

Senator MAGNUSON. We will make the attempt to change that. Senator Potter and Senator Butler always know where that comes from, anyway.

Mr. MURRAY. I want to reassure the Senator as to the fact that we are very jealous of the relationship between the executive and the legislative. We know what our restrictions are, and we will live within them. We believe in them. I see no desire on the part of the Commerce Department to take on any responsibilities which it does not have.

Senator MAGNUSON. Did you discuss before I came in—which I want to apologize for—the 2 studies, the 1 of Commerce and the 1 of Treasury?

Senator POTTER. We mentioned it briefly in the opening statement. The Secretary mentioned that the Treasury Department is studying

the Federal tax policy, which will have some effect upon the questions that were raised in their report.

Senator MAGNUSON. Probably the report was just directed toward the merchant marine tax problem. The overall study might modify it or change it.

Mr. MURRAY. We have been in touch with the Treasury, naturally, and as Senator Potter says, there is an overall policy that this one segment will dovetail in with.

Senator MAGNUSON. I would think you people in commerce would be pretty much of the same opinion as the Commerce Department reported in their study, in a general way, that you wouldn't change their recommendations a great deal.

Mr. MURRAY. We are going to be in the hands of Treasury on this thing.

Mr. GATOV. I think they will come up with——

Senator MAGNUSON. You are not going to have anything to say about it yourselves?

Mr. MURRAY. Sure.

Senator POTTER. Are there any other questions?

Mr. DREWRY. Mr. Murray, in speaking of the number 1 objective, to get the information worked up in cooperation with Defense on the overall size, type and composition of the fleet, are you at the same time working on the problem of determining what the needs of commerce are as an independent question?

Mr. MURRAY. Sure.

Mr. DREWRY. Is that the entire commerce or is it limited to the so-called essential trade routes?

Mr. MURRAY. I think, when you get into your construction program, we have to be thinking in terms of how much construction is available for the minimum shipbuilding needs. When you get involved in that, you have to be thinking in terms of all the work that may be on the ways.

I think we get ourselves involved in all potential building, not only our domestic but whatever building might at some point be brought into our yards. The necessary thing from this point of view is to what degree do you have to keep the shipyards busy to keep as broad a mobilization base as necessary.

Mr. DREWRY. Aside from the mobilization base, the need of the commerce of the United States in terms of the 1936 act, do your studies go to the point of determining how much potential trade there is, for instance, not only on the essential trade routes but in the tramp field, the possible aid programs, and things of that sort?

Mr. MURRAY. I would think we would take all of that into consideration.

Mr. DREWRY. Have you brought your trade route study—the last one, I believe, was in 1949—up to date?

Mr. MURRAY. We are bringing it up to date. It may have been brought up to date since then.

Mr. GATOV. The study has not been completed, but we are well on the way to a reevaluation of all the trade routes. We are making very good progress in the evaluation. We have about eight right now.

Mr. DREWRY. Would you say that the tentative approval of this application for the reconstruction of C–4's is more concerned with commerce requirements than with national-defense requirements?

Mr. GATOV. The construction-differential subsidy applied for in the American Hawaiian Line case is the outgrowth of the long-range bill, which made it not necessary to be eligible for that type of aid on the trade-route concept. Now the contemplated use of that vessel is for the Labrador deposits, which is not an essential trade route.

However, under the so-called long-range bill to amend the 1936 act, they are still eligible.

The Federal Maritime Board approved the application to the extent that the reconversion sought would add an important ingredient to our national maritime inventory, and that they met the qualifications of the 1936 act, including the qualifications of the act as amended by the so-called long-range bill.

We approved the application. As Mr. Murray pointed out, we did not take the next step and authorize a contract. In approving the application we merely pointed out that this was in no way a commitment; that the Congress would appropriate the necessary funds to carry out this program.

Senator POTTER. Are you going to ask for the funds?

Mr. MURRAY. No, sir.

Senator BUTLER. We are; I am.

Senator MAGNUSON. That is what I can't get. Maybe I am stupid about this. We passed the long-range bill. It is my bill. We said if a man qualified, despite the fact that maybe Congress would turn him down on funds, it was the duty of the Maritime Administration to request those funds, if you thought it was a good application. You have a right to say whether it is good or not.

Mr. GATOV. May I go off the record on this, Senator Potter?

Senator POTTER. Yes.

(Discussion off the record.)

Senator MAGNUSON. Let us use the term "minimum requirements" of American merchant marine. Suppose you arrive in your studies at what you think would be the minimum, X number, of ships. Then suppose somebody comes in who under the act qualifies himself but it would put him over the minimum. What would you do in that case—turn him down?

Mr. MURRAY. I don't know.

Senator MAGNUSON. The act says that if he is qualified he should get it. Congress may turn you down. But then your job would be to be the administrator.

Senator POTTER. It is normal procedure that, irrespective of the administration, you have many hurdles and you try to present the administration's program as it goes through the Bureau of the Budget.

I think of the past administration—probably the same will be true under this administration—they are going to try to have a solid front so that one department is not saying one thing and the Bureau of the Budget is saying another.

I know I have found in the past administration—and probably the same will be true here—that you will have a question of what is your personal view on this, what did you recommend, and so and so. I assume that policy will be carried out. I think, if I were in the downtown administration end of our Government, that is what I would want. I don't think there is anything new that has been brought in. I think it is a continuation of a policy that has existed.

Mr. MURRAY. The great protection of the Congress is, just as they can cut if a request seems unwise, they may also raise if a request seems worth while. The final determination is here.

Senator MAGNUSON. The point I make is that that is true with most executive departments. But there are some legislative departments that work under a legislative directive. If that directive is wrong, it should be changed by legislation. Sometimes they have to ask, even under their directive for funds to carry it out, that the overall approach to the thing may not justify. For instance, we passed a directive for the ICC to do a certain thing which is going to cost some money. Because the budget turned it down, they didn't ask for that money when they came before us. I contend it was their duty to ask for it because we told them to do it. They may get turned down, but you have to look at it in the light of the overall directive.

Senator BUTLER. I had to leave the room for a minute. I understood when I left that the Maritime Board certainly felt that the conversion of these three ships did lend something to the overall picture and were essential, and for that reason approved them. But they also felt it was not the disposition of the Department to ask for the money.

Mr. MURRAY. That is right.

Senator BUTLER. I want to say this in the presence of a member of the Appropriations Committee that will have to deal with the subject; that that is in your opinion essential and you haven't asked for the money because of fear that you will be turned down, and not for the real necessity in the contribution it will make to the overall maritime picture and the defense picture; why wouldn't you ask for that money now?

Mr. MURRAY. We are not asking for that money because it does not meet the criteria which have been set up for new construction for the year 1953.

Senator BUTLER. But it is essential and we don't have any American tonnage available to carry this trade which will be opened up in 1954.

They also act as auxiliary tankers. And you have no surplus of tankers. You certainly need them. I just want to get on the record good and tight that you fellows ought to come in and ask for the money.

Mr. MURRAY. This application was not approved simply on the basis of essentiality. It was approved upon the basis that it conformed with the requirements of the Long-Range Act.

It met the unusual circumstances.

Mr. GATOV. The act provides certain tests and hurdles which must be overcome to qualify for the construction differential aid. This application, the condition which created the application met all the tests. If we found that the conversion of these vessels was in keeping with the policies and the objectives of the 1936 act, then it would follow from that.

Senator BUTLER. And was also essential to the defense of the country. Then why wouldn't you all come in here now and say that we want that money?

Senator MAGNUSON. Here is the act. The act says they have met all the qualifications. I don't know about this. I hadn't heard about it until just now.

Take the case of a man who comes in and says, "I met all the qualifications of what the Congress says, but the department says that they are not going to ask for the money for it because there is an overall criterion that says you shouldn't ask for it."

Senator BUTLER. I think you ought to ask for that money.

Mr. MURRAY. Senator, it was made very clear, as a matter of fact, that those funds would not be asked for prior to the approval of this application, as you know. That was very much discussed and very fully gone into. It comes as no surprise, I am sure.

Senator BUTLER. I would like you all to go to the Budget and ask for those funds.

Senator POTTER. Does it provide that if a buyer qualifies for a construction subsidy, that it is mandatory upon the Commission to provide that subsidy?

Senator MAGNUSON. No.

Mr. MURRAY. No, sir.

Senator POTTER. In other words, you can assign priorities to applicants that qualify?

Mr. MURRAY. Sure.

Senator POTTER. For example, say there are 10 people that qualify. You feel it is going to hit you pretty heavy; you can decide that you will do these first?

Mr. MURRAY. Absolutely. You could get into a situation under the act—I don't know that you ever would—whereby the Board could be faced with a series of applications of those who would qualify, all of which should be approved, but the financial implications of it could be terrific.

Senator MAGNUSON. That is for the Appropriations Committees. In other words, they will squeeze you more than even you think you should get yourself.

Mr. DREWRY. You would be limited by your program, Mr. Secretary. If there were, say, 15 applicants, each of whom would qualify, but all of the 15 wouldn't because the 15 would be in excess of what the requirements are, the standard setup under the act, and then you would have to determine which ones of the 15 you would need.

You couldn't have an indefinite number of people, say, 3,000 applicants, and have to accept every one of them because if only 15 were needed, as determined for essential trade routes, in the interest of national defense, and those things, if they went in excess of the program you would have to determine which 15 of the 3,000 to select. So it wouldn't be an impossible financial situation.

Mr. MURRAY. It could be. Since we are theoretical about it, it really could be.

Senator POTTER. If Senator Butler or anyone else wrote you a personal letter——

Mr. MURRAY. Senator Butler has.

Senator BUTLER. I am thinking even a step further than that, Mr. Chairman. Would I be violating any of the rules of the Senate or any of the agreements we make in executive session if I went before the Appropriations Committee and pointed out the basis upon which this application had been approved, from the standpoint of not only meeting every detail of the act as to essentiality, and so on, and plead the case before the committee? I wouldn't mind doing that. I have

written the Secretary. I have written many other people. I have done everything I could to get it.

If there is no objection to that procedure, without violating the rules of the Senate and the confidence that these gentlemen have put in us in telling us this in executive session, I would like to be able to do that. I think this is really essential.

Senator POTTER. When you speak about the restrictions on new construction, you are talking about the overall policy, I think, of Joe Dodge, of construction, of everything. It is not confined to ship construction.

Mr. MURRAY. That is right.

Senator POTTER. An overall policy by the administration?

Mr. MURRAY. That is right.

Senator MAGNUSON. As to personnel and what they call new construction, new starts.

But again, the only point I make is that there are some directives of Congress that should not be subject to an overall cut because you thwart the purposes and use the back-door approach to thwart directives of Congress by denying them funds or not asking for funds.

Senator POTTER. I think you might argue your case on the basis that it is not new construction, but a conversion.

Senator MAGNUSON. We did that on some reclamation projects last night.

Senator BUTLER. The view that the Senator from Washington takes of it is that it is not really a new start at all. The act says that it is a continuing thing. It started in 1936, and that we are continuing to do what we were supposed to do from 1936 on.

Mr. MURRAY. This administration has no intention of being other than eager to assure that we have a proper and adequate merchant marine. The problem is balanced against other considerations. It has not been felt on the part of anyone that this decision represented anything other than a deferment of four ships that, at the time the budget went in, did not meet the essential qualifications for construction, that that could be deferred until the next fiscal year.

It was done with the knowledge of what ships were on the ways at the time. It does not represent any abandonment of anything. It represents a deferment of construction for this year. It was a deferment which it was decided was a proper one with an eye toward the act at the same time. That is not unusual, Senator.

The four Moore-McCormacks should have been built 4 years ago, and then again 3 years ago, 2 years ago, and then, again, last year. They were not. I don't know if funds were requested.

Senator MAGNUSON. I don't think it is unusual at all. It has been done all the time. My point is I don't think it should be. I think they should have been built a long time ago.

I don't think what is on the ways is any answer to our problem at all. I think they should have been built as of now. They should have been built, as you say. It has not been unusual; it has happened. I am just in disagreement. I think the whole purpose of the act would be to say that if this overall order wasn't there, you people should go ahead and approve those things. As to details, and those things, the money, I don't know.

I think you should have gone ahead, despite the overall matter, because that is what Congress said should be done.

Mr. DREWRY. Mr. Murray, in the 1936 act, this problem was recognized. It was designed, as Senator Magnuson says, to allow the original Maritime Commission, and its successors, to carry out the program on an orderly, planned basis. One of the methods used in the original act was to provide that all moneys received under the act would be deposited in a construction fund, which would be a revolving fund, always available for desirable purposes under the act.

Are you giving any thought, in your review of the existing laws, to consideration of possibly asking for return to the revolving-fund concept?

Mr. MURRAY. I think we are going to look into all aspects of this, Mr. Drewry. I don't want to comment on what we are for or what we are against, at this point. That is certainly one of the items that will be examined and will be part of the overall picture.

Mr. DREWRY. It was taken away, as I recall, by appropriations committees in the past, making annual appropriations instead of the use of the flexible fund.

Senator POTTER. Thank you kindly, Mr. Secretary.

Senator MAGNUSON. Do we have any figures, now, as to what the subsidy cost as of last year was, the total, including recapture?

Mr. MURRAY. You are talking about the operating?

Mr. GATOV. I think it runs about $50 million a year. I think last year it was $50 million.

Mr. MURRAY. Between $50 million and $55 million, I think.

Senator MAGNUSON. I just wanted a general figure, Mr. Secretary, because it is something we should use in our public approach.

Mr. MURRAY. That is about what it is.

Senator MAGNUSON. That is how little, in comparison to other subsidies, it costs us to run the merchant marine?

Mr. MURRAY. This additional amount we had asked for this year just represented some of the back bills that have been accumulated, in which the administration, just during the last year and a half, had been working out. As soon as we get out from under that, we will be down at a lower figure than we are asking for this year. That $65 million can be confusing. That is not on an annual basis. That represents back bills.

Senator POTTER. It always amazes me that when you stop and realize the merchant marine is considered the fourth arm of our national defense, that we only spend about one-half of 1 percent for the merchant marine. It gets all the bad publicity.

Senator MAGNUSON. Do you have a public relations staff to help on this?

Mr. MURRAY. We have abolished some of it.

Senator BUTLER. Before this is over, Mr. Secretary, I will undoubtedly get a chance to get an answer to this question. I am as green as grass about maritime and merchant marine matters. This is the first real committee meeting I have had, from the standpoint of the Commerce Committee. I have always wondered—I know you will answer the question before the hearing is over—how some companies can operate successfully without subsidies in the world market, and the others need subsidies. Is it because they have the best route staked out and nobody else can get in on them? What is the general picture on that? What can you look for when you hear testimony on that?

Mr. MURRAY. Mr. Gatov can answer that in more detail. One of the main problems that you run across is that your subsidized lines have to maintain regular routes, regular sailings, and regular stops throughout the year. The unsubsidized carriers and your tramps are able to move where they wish, as they wish; is that not correct?

Mr. GATOV. Yes.

Mr. MURRAY. Waiting, if they desire, for additional cargo before they sail. And under those circumstances, they are able to do about as they please.

Senator BUTLER. Regular runs part of the year, and cruise another part of the year?

Mr. MURRAY. Your unsubsidized lines have a freedom that your subsidized ones do not. It is to our advantage to maintain regular routes and sailings. An unsubsidized ship could put in at a port that it never stopped at before, if it heard there was cargo waiting at that particular port.

Senator MAGNUSON. And they can take what they want. That is the difference, really.

Mr. MURRAY. A comparable situation is in your airline situation between your skeds and nonskeds.

Senator BUTLER. They are not really common carriers within the normally accepted definition of that term; they can take or leave what they want?

Mr. MURRAY. They can stick around at a port, if they hear about a cargo that may be coming up in a couple of weeks, if it pays them to do so; they can stick around as long as they want to.

Senator BUTLER. Simply because it is offered to them, they don't have to take it? They can sail out and leave it?

Mr. GATOV. May I make a prediction at this time? In the long run, it is going to be extremely difficult for anyone to operate in the offshore trade without a subsidy, even though, at the moment, and since the end of the war, there have been circumstances that made it possible for some of these lines to do fairly well without subsidy.

Secretary Murray explained many of them, that they had complete flexibility of operation, that they could add to their fleet by chartering foreign tonnage, that they could haul tramp cargoes. Many of them were tied to a commodity. They had the protection of the 50 percent United States cargo sponsored by MSA and the military cargo.

There was money in the cargo available for them. When that honeymoon is over, it is my opinion it is going to be difficult, if not impossible, to compete with the foreign-flag vessels without subsidy of some sort.

Senator MAGNUSON. They are all coming to that conclusion.

Mr. MURRAY. I think so.

Mr. GATOV. Another important element is that the nonsubsidized operator is not putting aside deposits for the replacement of their fleet. Some of these nonsubsidized operators may find it impossible, with a wornout ship, to continue in the steamship business.

Senator POTTER. Our subsidy program fits all types of trade. You stated that you would need some type of subsidy program for offshore trade. Does our present subsidy program meet that criterion?

Mr. GATOV. Most of the important world trade routes are already covered by an operator in the essential trade group. The existing operators, who are nonsubsidized in the offshore trade, are following

the same beaten paths. They are so well-established. Nature took care of that. The riches in one part of the world are there. You don't find a line going to Greenland. The raw materials are in one area and the finished goods in another. They are almost like the old camel trails. They are pretty well defined.

Nature has, in many respects, taken care of that by the surpluses in one area, and the desire in another area for that surplus. So there are no new great pioneering trade routes to be found. I don't think we have, throughout the world, any new frontiers. You can't say, by picking up a newspaper, that upon reading about Australia, I will go there.

Senator MAGNUSON. Except the Far East, which has been blocked off.

Mr. GATOV. That is right.

Mr. MURRAY. You have Labrador and your Venezuelan ore situation. Your other activities do come along. But, as Mr. Gatov says, nature has pretty well taken care of that.

Senator MAGNUSON. The establishment of the trade routes——

Mr. GATOV. That has been delegated to the Maritime Administration.

Senator MAGNUSON. Senator Butler will hold hearings on a few of these maritime bills.

Senator BUTLER. Starting on the 15th.

Senator MAGNUSON. Probably on the mortgage bill. There is 1 minor and 1 important one. I am sure that Senator Butler realizes, and I have constantly introduced for years, that we will require the military or the Government to use private merchant marine cargo space in sailings. It makes it mandatory. I think we would like some expression on that. It has pretty widespread approval.

Mr. MURRAY. I commented on that, I think, just prior to your coming in. We are trying, administratively, to make sure that the policy which the law contemplates is carried out. There has been a great deal of work between Maritime, the National Shipping Authority, and MSTS.

I approve of the principle and, therefore, I certainly would have no objection to having to do legislatively what we have been trying to do administratively. We think it is vital that be done.

Senator MAGNUSON. I think MSTS agrees with it. The only thing is you have to be constantly alert to the fact that if you don't watch it all the time, the trend of the cargo starts to move into the Government operation, and pretty soon it becomes a habit.

Mr. MURRAY. I might say in Commerce we have a couple of people who watch it pretty carefully.

Senator POTTER. Thank you, again, Mr. Murray. If Mr. Gatov and Mr. Clark have any statements they care to make, we will be glad to hear them.

Mr. GATOV. As I said, the Maritime Administration is an agency within the Department of Commerce. I had the pleasure of assisting Secretary Murray in the preparation of his own statement. I do not have, at this time, an independent statement; neither does Mr. Clark. We are both here and will be happy to answer any questions that you, or other members of the committee, may have.

Senator POTTER. Do you, Senator Butler or Senator Magnuson, have any questions? I think we used you freely during the prior discussion. We thank the both of you for coming up.

I want to say again that this committee is interested in the same thing that you are interested in, to try to solve some of the problems to make our merchant marine what we have said it should be. I think this afternoon we will have some representatives here from the Department of Defense. I understand they will be in a position to spell out, which is refreshing, what we consider at the present time the national defense needs for merchant marine.

With their testimony, and with the testimony that has been given here this morning, we will have the representative from the Department of State and MSA, and we will have at least a review of the problems as you see them. I know many of these questions are under consideration by the various departments. But as long as we are recognizing the same problem, we feel, as a result of that, there should be good come out of the hearings. I want to thank you kindly for your appearance. We will be in recess until 2 o'clock this afternoon.

(Whereupon, at 12:25 p. m. the committee recessed, to reconvene at 2 p. m. the same day.)

AFTERNOON SESSION

(The subcommittee reconvened at 2:10 p. m., Senator Charles E. Potter, presiding.)

Senator POTTER. The subcommittee will be in order. The other members of the subcommittee, I believe, will be here a little later. Before Admiral Wilson presents his statement, I would like to state that this morning we had quite an intensive discussion with representatives of the Department of Commerce. We hope this afternoon we can continue that with the Department of Defense, and possibly the Department of State and MSA.

I think in order to again have an idea of the purpose of this hearing, it would be best if I present this little statement presenting the problems that the committee is confronted with.

Under date of April 24, I wrote to the Honorable Charles E. Wilson, Secretary of Defense, advising him of the formation of this subcommittee to make a study and analysis of construction-differential and operating-differential subsidies in the maritime field, together with other forms of Government aid to shipping. I stated that we should like to have the benefit of the views of the Department of Defense in connection with such studies. Of course, we do not expect you gentlemen to attempt to comment on the details of the subsidy problem. However, we have asked you to appear at this executive hearing in order to discuss with you the problem of arriving at an answer to what we deem to be the $64 question. That is, what is the size, composition, and character of the oceangoing American merchant marine which we should have as an active operating nucleus fleet in the interest of our national defense. It seems to me that that, in its simplest terms, is the No. 1 question to which we must have an answer before we can intelligently reach conclusions as to how much and what kind of Government aid is required to develop and maintain an adequate merchant marine, in accordance with our national policy.

(The letter referred to follows:)

APRIL 24, 1953.

HON. CHARLES E. WILSON,
*Secretary of Defense, Department of Defense,*
*Washington, D. C.*

MY DEAR MR. SECRETARY: Pursuant to Senate Resolution 41, January 30, 1953, I have been appointed chairman of a subcommittee of the Interstate and Foreign Commerce Committee to make a study and analysis of construction-differential and operating differential subsidies in the maritime field, together with other forms of Government aid to American shipping. In addition to myself, the other members of the subcommittee are Hon. John M. Butler, of Maryland; and Hon. Warren G. Magnuson, of Washington.

To conduct such studies, the subcommittee will have to review the policy declared in the Merchant Marine Act of 1936 and other basic shipping acts, and the effectiveness of existing legislation in the implementation of that policy in the light of existing domestic and international conditions.

In pursuance of its studies, the subcommittee will look to the Department of Defense as well as to the Department of Commerce for the size and composition of the American merchant marine potentially required for present and foreseeable use in time of war or national emergency. Such a quantitative and qualitative appraisal of merchant marine requirements for the national defense, as well as for the development of the commerce of the United States, is essential as a guide to the Congress in planning and evaluating legislative proposals for Government aid for the merchant marine.

It is my intention that the subcommittee will begin its studies immediately. Accordingly, I hope you will be able to have prompt consideration given to the above matters in order to be prepared to give the subcommittee the benefit of your views in hearings to be held at an early date. The subcommittee will wish to discuss these problems with you or your designated representatives informally in closed session before proceeding to the consideration of the more detailed aspects thereof.

Sincerely yours,

CHARLES E. POTTER,
*Chairman, Special Subcommittee on Maritime Subsidies.*

Senator POTTER. That question has many other aspects to it in regard to which your Department can be of invaluable assistance to the subcommittee. For instance, we should like to arrive at a practicable method of establishing a continuing program for additions and replacements so the target fleet can be adjusted as requirements change from time to time; and many other questions which will come out in the course of our discussion today and subsequent hearings.

We obviously do not expect to have you tell us in detail the type of fleet which would be necessary under all variations as to requirements during the many assumptions of possible armed conflict or national emergency. But I feel that we must attempt to establish as realistic a target as possible in order to know the basis for a fleet in being to provide an available pool of ships, management, seagoing personnel, and a shipbuilding industry to meet emergencies and to provide a nucleus which can be expanded in the event of all-out conflict.

Admiral Wilson, you have a statement, I believe, on this question on which we have asked you to present your views. You may proceed.

## STATEMENT OF REAR ADM. R. E. WILSON, DEPUTY COMMANDER AND CHIEF OF STAFF, MILITARY SEA TRANSPORT SERVICE

Admiral WILSON. Senator, I am here representing the Department of Defense as to the size and composition of the national-defense fleet.

The strategic importance of ocean transportation in a future war supports the concept that the United States-controlled merchant fleet should be of such a composition as to adequately meet the planned requirements of the Department of Defense by providing modern,

high-speed ocean transportation with suitable self-loading and unloading facilities and an ability to be utilized in any port as required.

The Department of Defense is concerned about the lack of a comprehensive merchant-ship-construction program which would provide for the orderly replacement of the vast proportion of our merchant fleet which is fast approaching obsolescence.

In the past, upon the sudden outbreak of a war, it has been necessary to hastily improvise a shipbuilding program which was not only costly but resulted in an accumulation of ships so quickly designed and constructed as to be limited in unfavorable manner in their capability to meet modern military needs.

It is clearly recognized that the special characteristics of merchant ships which are desired for ultimate military use must, of necessity, be modified and limited to conform to acceptable requirements for successful commercial enterprise. Within the limits imposed by peacetime commercial utilization, and an acceptable burden on the national economy, it is strongly recommended that the Congress support a phased merchant-ship-construction program of those ships required (1) to bring the active operating United States merchant fleet up to the numerical limits required to meet the initial needs of the Department of Defense, and (2) provide the means for the orderly replacement of existing operating tonnage now rapidly approaching obsolescence. It is further recommended that, either as a part of the program recommended above or supplementary thereto, the means be provided for the construction and operation of sufficient prototype vessels which can serve as the basis for a mass vessel-construction program upon the outbreak of a war.

It is considered appropriate to also recommend that the Congress place the maximum reliance on United States flag merchant shipping in relation to that placed on foreign-flag merchant shipping to support the defense of the United States in a future war.

It is important to note that while the national-defense fleet—active and reserve—is deficient only to a minor degree to meet initial defense requirements from a quantitative point of view, there is a serious deficiency from a qualitative point of view. Of special reference is the fact that there are 1,713 Liberty ships, of which 242 are active and 1,471 laid up. These are considered too slow for modern military needs. In addition, by June of this year, there will be 57 T–2 tankers—exclusive of those in Navy custody—which have reached more than one-half their life expectancy. These also should be replaced.

Recommended size of the active operating United States merchant fleet: Numbers by category: The Department of Defense, recognizing that the requirements for United States merchant shipping are subject to review and modification in the light of changing strategic situations, considers that in accordance with the latest approved plans the active operating United States merchant marine—exclusive of merchant-type vessels in Navy custody—should be comprised, as a minimum, of the following numbers of vessels:

(1) Dry-cargo ships: There is a requirement for 11,718,000 deadweight tons. This corresponds to a requirement for 1,085 notional dry-cargo ships.

(2) Troop transports: There is a requirement for 212,168 gross tons. This corresponds to a requirement for 22 notional troopships.

(3) Tankers: There is a requirement for 9,636,000 dead-weight tons. This corresponds to a requirement for 584 notional tankers.

To make very clear how we define the term "notional," I have set forth, below, the standard of measurement of a notional ship in each of these categories. For example, a notional tanker is one that can carry 100,000 barrels of fuel, oil, or 115,000 barrels of deisel, or 130,000 barrels of gasoline, having a dead-weight tonnage of 16,500, with a speed of 15 knots.

A notional troopship has a capacity of 2,400 troops at a speed of 15 knots.

A notional cargo ship is one that has a dead-weight tonnage of 10,800 at a speed of 10 knots. Those are merely terms of measurement.

Senator POTTER. Admiral, do you have available the dead-weight tons of shipping that we have now which could be used for defense purposes?

Admiral WILSON. We do have that available, Senator. I felt in preparing this that was information which you would probably develop from the Maritime Administration.

On the subject of minimum speeds—this is recommended for future construction—dry-cargo ships should have at least 17 knots sustained speed. Troop transports should have a sustained speed of 22 knots, or greater. Tankers should have a sustained speed of 20 knots, or greater.

Special characteristics—Dry-cargo ships: The most practical and useful type of general-cargo ship, both from a commercial and a military point of view, appears to be a ship having the general-cargo capacity characteristics of the C–3 types. From a military point of view, the ship should be equipped with adequate cargo-handling facilities and equipment capable of loading and unloading the ship's cargo with its own gear. The cargo-handling equipment should include at least one hatch fitted with booms of at least 50-ton capacity.

I would like to point out there that this specification in regard to boom capacity does not refer to the heavy-lift ships with which I will deal later.

The limiting maximum draft should be 30 feet to channels that are dredged for that at mean low water.

Troop transports: Troopships should have the general characteristics of the P–2 class: ultimate capacity of approximately 500 cabin spaces and 4,000 troop spaces, with a patient-litter capacity of 250 spaces. Experience gained in the Korean operations and the utilization of existing troopships strongly supports a requirement for this type vessel. The limiting maximum draft should be 30 feet.

Tankers: The recommended general characteristics of tankers most suitable for military purposes are 25,000 deadweight tons, capable of carrying several types of petroleum products. The limiting maximum draft should be 32 feet. Tankers of larger deadweight tons capacity can be utilized to a limited extent, but it is not recommended that the entire replacement of existing tanker tonnage be confined to the so-called "super-tankers" of capacity greatly exceeding 25,000 dead-weight tons.

The ideal maximum draft of vessels would be 27 feet. It is estimated that vessels drawing not more than 27 feet can be utilized in 85 percent of the ports of Europe. It is also estimated that 97 percent

of the total United States-controlled merchant fleet should have, as a practical consideration, a maximum draft of 30 feet. It is considered that the medium-size moderately-fast vessels are the most desirable compromise between military and commercial characteristics. For instance, although the Mariner type of vessel possesses many desirable festures which can be used to great advantage as military auxiliaries in time of mobilization, its peacetime commercial utilization is yet to be proven.

Size of the National Defense Fleet usable in the conduct of normal commerce: The number and type of the National Defense Fleet usable in the conduct of normal peacetime commerce appears to be a matter which is controlled by the national economy and foreign commerce. It is considered that the Maritime Administration is the appropriate agency to develop firm figures on this subject. However, it can be noted that the Military Sea Transportation Service since the outbreak of the Korean operations has utilized, at one specific time, as many as 223 merchant vessels under time charter, 35 vessels under voyage charter, and 141 Government vessels operated by private shipping operators under General Agency Agreement. This would indicate a minimum of 399 vessels which might have been chartered from the United States commercial shipping industry at one time by the MSTS if the vessels were of suitable characteristics and offered for charter.

In addition to utilizing the commercial fleet as indicated above, it is important to note that MSTS ships, via the regularly schedule American-flag commercial-berth vessels, a large portion of its dry cargo tonnage. During the 14-months' period from January 1, 1952, to March 1, 1953, an average of 45.6 percent of the total dry cargo tonnage of the Department of Defense, moved overseas from all continental United States ports, was handled by this means. However, although the practice of using regularly-scheduled berth-vessels has certain advantages, such as providing an effective means of moving less-than-shipload lots into the areas where the normal volume of shipments is low and does not require extensive overhead expense to the Government, it also has disadvantages, from a military point of view, because it does not allow the flexibility of movement, diversion, and adjustability needed to meet variable and constantly changing military situations. Therefore, the composition of the United States merchant fleet in peacetime should comprise vessels of both berth- and tramp-service, the former providing regularly scheduled sailings, and the latter providing the flexibility required for military needs.

Assumptions used in determining the recommended size of the operating National Defense Fleet: The numbers of vessels, by categories, which are recommended in preceding paragraphs as necessary to meet the needs of the Department of Defense upon the outbreak of war are based upon supporting plans of the approved emergency plans of the Joint Chiefs of Staff. It is to be noted that these plans are under constant review and are kept up-to-date in the light of the changing strategic world situation.

Number of merchant-type ships required to be in Navy custody: During the first 24 months of war, the Department of Defense will require a certain number of merchant-type vessels to be transferred to the custody of the Navy for military purposes. These vessels comprise two categories of services: (1) ships to be assigned to the service

and Amphibious Forces of the Fleet, and (2) ships to be assigned to the Military Sea Transportation Service. These vessels, although they number close to 1,000 ships of the three major types, comprise a minor percentage of the total number of merchant vessels required for national defense purposes. The major percentage of merchant vessels required to meet total military needs will be obtained from the National Shipping Authority under General Agency Agreement as agreed upon between the Department of Defense and the Department of Commerce. It may be assumed that this total need will be fulfilled from any or all of the following sources: (*a*) the operating merchant marine; (*b*) the inactive National Defense Reserve Fleet; (*c*) American-owned tonnage registered under those foreign flags for which effective United States control may be assumed; and (*d*) additional new construction to be initiated on M-day.

Desired ship prototypes not currently in existence: The Department of Defense considers it desirable to inaugurate a program of merchant-type vessel construction to serve as prototypes for future construction programs as follows:

(*a*) A dry cargo ship having the general cargo capacity characteristics of the C–3 types and the highest speed compatible therewith but not less than 17 knots sustained speed. Hatches should be uniform and cargo-handling facilities should be capable of self-loading and unloading of the ship.

(*b*) A "roll-on, roll-off" vehicle cargo ship capable of attaining speed of at least 20 knots, designed to permit tracked and wheeled vehicles to be moved on and off the ship rapidly under their own power. The desirable features of the movement of certain types of commercial cargo by the container-van method and the increasing use of this system by commercial shipping companies indicate the need for the development of a prototype merchant ship of this special design, potentially available for special military uses in time of war.

I would like to interject the added requirement which is not included in this statement, that the ships have an acceptable minimum of stability.

I say that because, in some cases of ships, commercial ships, that are either proposed or built that have some of these general characteristics, from the military point of view, for operations in hazardous waters in wartime, they are quite unacceptable from the standpoint of stability.

Senator POTTER. You have reference to the so-called seatrain-type?

Admiral WILSON. Yes, and similar ships that are actually wide open and would be lost, unquestionably, with one torpedo hit.

(*c*) A reefer ship of 20 knots speed, having a cruising range of 15,000 miles; cargo space to include 80,000 cubic feet reefer and 40,000 cubic feet dry.

(*d*) There will also be a need for a limited number of heavy-lift ships equipped with oversized hatches and cargo booms capable of lifting up to 150 tons. MSTS is, at the present time, engaged in the conversion of two of its C–4 cargo ships to meet this specification and it is contemplated that further conversions of a limited number of Government-owned ships will be programed for future accomplishment. These conversions may suffice to develop prototypes for wartime construction. It is important to note that there are no American-flag merchant ships in existence meeting this specification at the present

time. Any encouragement that could be given to the private construction of ships meeting these general specifications would be appropriate.

The construction of these ships should commence as soon as practicable in order to form a basis for a long-range construction program to fulfill the requirements of the Department of Defense prior to M-day.

I wish to inform the subcommittee that the Department of Defense is consulting and coordinating its studies with the Maritime Administration as to the size and characteristics of the desired active operating United States merchant fleet and the desired composition of the National Defense Reserve Fleet. The complexity of this study and its vital importance to the national economy and national defense require a complete study that will take considerable time and effort. The information which I have given to the subcommittee today is the latest which has been developed to date, but the matter is being developed further by a joint group as rapidly as this can be accomplished.

Senator POTTER. Admiral, when you break down the national defense requirements into your three categories of dry cargo ships, troop transports, and tankers, I assume we can figure this out as to the number of ships which would be required as a minimum, but I haven't been able to do it as yet. For dry cargo ships, for example, your deadweight tonnage requirement, how many ships would that be? I see it here.

Mr. DREWRY. In that connection, Admiral, in the use of this term "notional," that doesn't mean that you want ships of exactly those particular——

Admiral WILSON. No; the term is used just as a unit of measurement. We certainly don't have any truck with a notional cargo ship as defined here, this 10,000 tons at 10 knots.

Mr. DREWRY. So you could consider the Mariners as well as the small 5,000-ton ships in terms of "notional" vessels?

## STATEMENT OF CAPT. B. J. MULLANEY, ADMINISTRATIVE ASSISTANT, PLANS AND POLICY, ALSO DIRECTOR, PLANS AND POLICY DIVISION

Captain MULLANEY. I think it is 2½ notional ships to 1 Mariner; 1,700 Liberty ships or 813 Mariners. It is a term of measurement.

Admiral WILSON. Both capacity and speed.

Captain MULLANEY. When we say 1,085 notional dry cargo ships——

Senator POTTER. That doesn't necessarily mean that number of ships?

Captain MULLANEY. No, it may be composed of a lot of Mariners or C–3's.

Senator POTTER. Does the Maritime Board use the same criteria in their determination?

Captain MULLANEY. Yes.

Admiral WILSON. These are the terms that we commonly use in the joint group.

Senator POTTER. You have a new Joint Chief of Staff. I would assume, in this report you are giving today, it has been at that level,

which has been consistent with the policies that they have formulated. I am speaking, now, of the present Joint Chiefs of Staff. It would probably be better to refer to them as the "old Joint Chiefs of Staff." That is the policy, and unless there is a change in the overall defense policy, as enunciated, I assume by our new Joint Chiefs of Staff, it would remain.

Admiral WILSON. The thing that should be appreciated, Senator, is that these plans of the Joint Chiefs are under constant review, and a complete revision of those is made at periodic intervals.

Of course, all the plans that hinge upon them, or bear upon them, are changed accordingly. So, periodically, this thing is continually subject to review and, of course, will change.

Senator POTTER. I think it is desirable that the joint committee or the liaison that you have with the Department of Defense and the Department of Commerce be a continuing operation, because as your national defense needs may change, they can be apprised of what the national defense requirements might be.

Admiral WILSON. That is the understanding between representatives of the Department of Commerce and the Secretary of Defense, that this would be a continuing group.

Captain MULLANEY. They are informed every quarter of the requirements of the Department of Defense, brought up to date.

Mr. DREWRY. Admiral, you mentioned the 57 T–2 tankers that would need to be replaced. By "replaced" you mean replaced in the active fleet?

Admiral WILSON. They are all in the active fleet.

Mr. DREWRY. These would go to the reserve fleet if they were replaced, or would they be scrapped?

Admiral WILSON. We would hope they would not go to the reserve fleet, that they would actually replace existing ships. That would be a determination that would have to be made.

Once the replacements were made, whether you could release the replaced ships or whether you should put them in reserve as a contingency is a decision that would have to be made at that time. The most effective, it seems to me, plan that can be made, the most acceptable from a military point of view, from a political or economic point of view, would be to scrap old tonnage as it is replaced with new.

I think one of the—I am giving my personal opinion now—things that has haunted us in all this block obsolescense is this fleet in being. It makes it very difficult to do anything constructive in the way of building additional ships so long as the general public has the idea there are vast numbers of ships of some sort in a reserve fleet somewhere.

Senator POTTER. Isn't it true that the bulk, probably, of our so-called reserve fleet is composed of vessels that are actually obsolete?

Admiral WILSON. I tried to point that out, Senator, that 1,700 of the reserve cargo ships, of the reserve fleet, are Liberty ships.

Mr. DREWRY. Would you want to apply that policy to all types, to dry cargo, as well, to tankers, and not have a reserve fleet at all?

Admiral WILSON. No; I don't think you would ever get to that point, as a practical expedient. Tankers is perhaps the one place you would, because there are no tankers in the reserve fleet, now, with the possible exception of a few very old ships and Liberty tankers.

It would result in a screening and refurbishing of your reserve fleet. There are Victory's in that fleet, also.

Mr. DREWRY. In the event there should be some more interest than has been shown so far in turning ships in under that dry cargo arrangement, ships that are 12 years of age, would you favor a policy of pulling out and scrapping the older tonnage as these middle-aged C-type vessels went into the fleet?

Admiral WILSON. Everything else being equal, I would.

Senator POTTER. Taking off from the bottom, the oldest ones of the fleet being scrapped?

Admiral WILSON. That is the most ideal situation you could get into. Whether or not the existing situation would lend itself to such a decision or whether you would still want to retain this very old tonnage for an extreme emergency is a decision that would have to be made at the time.

A program that intended that to take place, I think, would be very sound.

Mr. DREWRY. There have been suggestions that the older ships in the reserve fleet could be removed and scrapped and the funds received from scrapping to go into the production of new ships. Such a program might offer some inducement for new construction——

Admiral WILSON. Perhaps a more practical way would be to tag them for scrapping when the new ships became a reality. I would hate to see those ships be scrapped before we have a bird in the hand.

Mr. DREWRY. In dry cargo ships you refer to all classes, irrespective of whether they were general cargo, ore, grain or what.

Admiral WILSON. That is correct.

Mr. DREWRY. As far as you are concerned, the Department of Defense is not particularly concerned one way or another whether there be any special balance between ore carriers as against——

Admiral WILSON. I wouldn't necessarily say that. You get into some specialized types such as bulk ore. You lose a great many of the characteristics of a suitable cargo ship, if they have been especially converted for that purpose.

It might take them out of the dry cargo entirely.

Mr. DREWRY. There has been an application just approved for conversion of three C–4's into combination ore carriers and tankers. I wondered whether that type of conversion was of special interest to the Department of Defense.

Admiral WILSON. I think that is a good example of what I am referring to. Those ships, when they are converted to oil carriers, their quickest and most useful reconversion would be back to the tanker fleet rather than the dry cargo fleet. So you get into all those special complexities when you try to generalize on a statement of that sort.

Senator POTTER. On a conversion project, such as you mentioned of the four C–4's being converted to ore and tanker cargo, would there be any national defense features in that conversion program?

Admiral WILSON. Probably not. I couldn't readily see that.

Senator POTTER. I am wondering it it might not be desirable if you could, for the record, just outline how you determine what are the national defense features on these ships and how the determination is made. Does the Department of Commerce send over to you the

specifications of the vessels that are under consideration and you make your recommendations as to what should be added or what they have, what should be necessary to qualify for national defense features?

Admiral WILSON. I think perhaps an illustration of that point that you have in mind, Senator, is that when a plan for a ship, for example, such as the *United States* is submitted to the Navy Department for its comment on and concurrence, the Navy Department very probably, in returning that to Maritime, specifies certain features they feel would be desirable to have on that ship.

In the case of the *United States*, among others, there were included structural features to permit the quick mounting of defensive armament. There were certain very definite desired specifications in regard to speed, and watertight integrity and stability, in the capacity of the evaporating plant, the capacity of the ship's reefer boxes, and many other similar features.

I am not familiar with all of them in detail. Some of them involve, I believe, provisions for the quick installation of adequate communication facilities, radar, and features of that sort, which would render the ships much more useful from a military point of view in time of war.

Senator POTTER. You probably are familiar with certain criticism that has been rendered, that we have been very liberal in determining what the national defense features might be. Some people say that while certainly it is necessary for defense, it also serves a very good commercial use and it shouldn't be considered as a national-defense feature. Would you care to comment on that? I am sure you have heard that criticism. I wonder if you would like to give us a word on that?

Admiral WILSON. That is a very complex question, I am sure, and subject to all sorts of interpretations. I could give you my personal opinion on it, Senator. I have had some experience in this field.

The features in the *United States* that were put in there at the suggestion of the Navy Department, I am sure, in my personal opinion, are thoroughly justified and have resulted in the most magnificent ship to sail the seas.

It is my personal feeling that the ship is worth every nickel that the Government has spent on her.

Senator POTTER. Isn't it difficult to take, for example, the speed of a ship? That speed has a commercial value. It is most difficult to say that because we are requiring it for a national defense feature—you are going to have many of these—that it will have commercial value as well? We want it for national defense, but it will be of great value to the owner.

Your position, and I think the position of the Department of Defense, has been "if it is a feature that we want for national defense, and require for national defense, then that would be considered a national defense feature"; isn't that true, irrespective of some value that it might have for the commercial operator?

Admiral WILSON. I think generally that is true, yes, sir. I think a good example of that is the speed that is in the Mariners. It is speed of something better than 19 knots. I have heard it said on quite good authority in commercial service that the Mariners would probably never operate at a speed of greater than 16 or 17 knots purely for economic reasons.

When you get into those higher speeds, you get into a greatly increased fuel consumption, which makes the ships uneconomical to operate in competitive trade. In wartime, of course, those considerations are insignificant.

Senator POTTER. In making your determination as to the requirement of the size and of the type of vessels for the American merchant marine for defense purposes, you are not including ships that might be available to us from our allies; is that true?

Admiral WILSON. That is true. We have taken United States military and essential civilian needs, on the one hand, and attempted in this statement to match those with available American-flag shipping.

Senator POTTER. The target that you set forth is a target for our defense needs on its own without being aided and supplemented by ships of other countries?

Admiral WILSON. That is right.

Mr. DREWRY. Admiral, in that connection, on page 5 of your statement you speak of the fulfilling of your needs from four different sources. The third one is—

American-owned tonnage registered under those foreign flags for which effective United States control may be assumed.

Can you explain that for the record?

Admiral WILSON. That is a fairly well defined and recognized principle proven in two wars, actually. It consists of a list of several countries which permit American-owned tonnage to be registered under their flags for various advantages to the owners, but who have never objected to those ships being reverted to the American flag and American control in time of emergency.

An example of a country that I have in mind, a typical one, and most important from the standpoint of tankers, is Panama. One which that does not apply to would be British registry.

Mr. DREWRY. Is that in any case pursuant to treaty or an informal understanding?

Admiral WILSON. I don't believe in any case—I may be wrong on that—State would be the people to give you the answer—and I don't believe any case that has been formalized in a treaty paragraph it is a treaty in the sense that there is precedent and perhaps the basis of fundamental friendship of the United States that there would never be a question of dispute.

Mr. DREWRY. On the subject of troopships, as you have your requirements listed here, that is your troopship requirement to be developed from commercial types; is that right? That is on page 2.

Captain MULLANEY. That is right.

Mr. DREWRY. What would be your thinking in regard to one or more additional *United States* as against medium-sized vessels more of the *Independence* and *Constitution*, the *American* class?

Admiral WILSON. Generally speaking, I think the same logic applies there, as I attempted to define in the statement on page 3 and at the top of page 4, that we feel a moderate sized tanker, which is larger than the T–2 is the most acceptable type for military purposes, but that we can use, to a limited extent, the big super tankers.

I think a limited number of large passenger ships can be extremely useful. I think that was illustrated in the use of *Queens* and the *American* and the other larger passenger ships available in the past war.

But a moderate-sized ship, from an overall point of view, is more satisfactory.

Mr. DREWRY. There, too, then, you need balances when you get into particular types of——

Admiral WILSON. You certainly would not recommend putting all the eggs in one basket. There may be times when a *United States* would make the difference between success and failure of a particular military campaign.

There may well be other times when no responsible commander would jeopardize the *United States;* would do it in smaller lots.

Mr. DREWRY. Do these statements take into account any proposals that might have been made in connection with the use of airplanes instead of ships for troop transport?

Admiral WILSON. They do not. The requirements for—I say, "They do not," that is an incorrect answer. The requirements as developed for sea transportation have excluded from them that portion of high-priority passengers and cargo that can reasonably be expected to be lifted by air.

Mr. DREWRY. Some of the machinery and parts of cargo ships, other ships of the fast efficient type, take quite a while to manufacture, such as the turbines. I remember in the last war it was quite awhile before we got under way in the production of the turbine manufacturing capacity.

That type of capacity is needed for combat ships, too. Have you given any thought to the desirability of a stockpiling program of a limited number of replacement parts that are of a difficult nature and time-consuming to produce, such as extra sets of turbines and gears?

Admiral WILSON. I would assume that any construction program that was initiated, such as the current Mariner program, would most certainly include in the contracting arrangements reasonably adequate delivery of spare parts for those ships.

Mr. DREWRY. For the existing fleet I think something like 270 to 300 C-type ships are presently in private operation. There may be some small degree of spares around the country. I don't know. They were all war-built vessels. I would assume there is little left, and certainly nothing as far as planned program of additional parts. I wonder if that would be worthwhile to consider?

Admiral WILSON. I think it is most certainly a feature that should not be overlooked, and one that the Navy, in the construction of Navy ships, is most meticulous about, to make sure that more spares are made a part of the contract at the time of delivery at strategic points throughout the country and the world, for that matter.

Mr. DREWRY. In the merchant ships, in the case I am thinking of, that would be sort of in the nature of a national-defense feature if it were above the normal commercial requirements?

Admiral WILSON. It probably would be.

Mr. DREWRY. Such a program, if there isn't one, would have to be held by the Government as a Government pool of spares to be used in the event of an emergency?

Admiral WILSON. I don't think that would represent too much of a change of current policy. I can say that in the support of our own MSTS fleet we have received very fine and substantive assistance from Maritime, from their stockpiles of spare parts, such things as reduction

gears, turbine rotors, articles of that sort which are difficult of manufacture.

Mr. DREWRY. They do have a reserve of spare parts?

Admiral WILSON. Yes, they have backed us quite effectively so far. How depleted their stocks are, I am not in a position to say. Generally speaking, they have given us a great deal of assistance in that matter.

Senator POTTER. Admiral, at the end of your statement, when you were speaking about your heavy lift booms, you also state that no American-flag ship has the heavy booms, and I think it might be well to just elaborate on that a little bit. It would seem to me it would be extremely important to our national defense that we have that because of the many heavy objects that our present booms can handle.

Admiral WILSON. It is extremely important, Senator. It has been the one item that has caused us more embarrassment—by "us", I mean the whole Government—than anything that has come out of the Korean situation, that we have been forced to have foreign-flag ships meet this strategic requirement in the Far East. It is not a simple matter.

When you get up to 150 tons, it is a design problem comparable to a floating crane in which the stability of the ship, while the boom is over the side making that lift, enters into it.

Senator POTTER. Do we have vessels that a boom of this nature could be put on?

Admiral WILSON. We are about to open bids from some of the more responsible shipyards in the country for the conversion of two C–4's of ours. It is estimated it will take something like 120 to 180 days, required drydocking for a large part of the time that the ships are undergoing this conversion, because they have to be literally zippered open and the structure around the hatches change, and the longitudinal strength of the ships modified, stability features installed, and the winches and hatch gear itself is a matter of special design.

Senator POTTER. I would imagine that you would have to have larger hatches?

Admiral WILSON. Yes, much larger. That is one of the main reasons for the structural changes in the ship.

Senator POTTER. It has been suggested that because we have these national-defense features which are deducted from the cost of the ship, as far as the purchaser is concerned, because of their national-defense purposes, those items be charged to the military budget rather than as a maritime cost to the Department of Commerce. Do you think that would be feasible or not?

Admiral WILSON. I think administratively it would be quite difficult. I don't administratively know how you would correlate the plans of the Maritime and their negotiations with private industry into a military budget that has had to meet deadline dates for delivery to the Bureau of the Budget and committees of Congress, and all that.

It would be quite difficult to make sense out of it, I am afraid.

Senator POTTER. Actually, it doesn't make any difference as far as the taxpayers are concerned?

Admiral WILSON. Not the slightest. I think it would result perhaps in some rather wild guesses, and the budget would be difficult for

a third party to defend because they are not participating in the current negotiations.

Senator POTTER. Admiral, it has been stated many times that the merchant marine is our fourth arm of defense. Do you concur in that?

Admiral WILSON. I most certainly concur. The Military Sea Transportation Service right now is utilizing one form or another of private shipping, either operation or ownership, or both, to handle 85 percent of our total cargo shipping.

Senator POTTER. Eighty-five percent?

Admiral WILSON. We are using in some form or other privately operated or privately owned shipping.

Senator POTTER. Do you have any estimate as to the cost of maintaining our merchant marine as compared to the rest of our military budget? I have stated it is about one-half of 1 percent. Does that figure sound about right to you?

Admiral WILSON. I have never seen any figures on that, sir. I am sure it would be small in comparison to the Military Establishment, because you get no earnings from the Military Establishment.

Senator POTTER. Do you agree that a great deal of the confusion that exists in the minds of the public, and I think also in the minds of Congress, concerning our merchant marine is at first it hasn't been forcibly brought home to a lot of people that the merchant marine is a fourth arm of our national-defense picture. The concept that many people have is that a subsidy is just being paid to help some private ship operators. I hope, as one individual, we can dissipate that illogical thinking that exists.

Admiral WILSON. I think your question borders on the broader one, sir, of the essentiality of seapower. Seapower by no means means combatant vessels and throwing your weight around in forceful fashion. It means also an adequate merchant marine.

Mr. DREWRY. Admiral, I saw the other day a reference in the paper that MSTS has recently chartered a Danish vessel for a 4-month period at something like $1,675 a day for that period. It was a refrigerated vessel, and I gathered there were no American ships available and that was the reason for that case. Can you comment on that, and also the extent to which you have chartered foreign vessels in the recent past?

Admiral WILSON. We have a priority list established by the Secretary of Defense, and also enjoyed an agreement with Commerce, which is our guideline in the matter. It is a priority arrangement as follows: First of all, we utilize those ships that are in our custody. When we have exhausted the capabilities of those ships, our next priority is the maximum practical utilization of regular berth-line service.

Next to that is the time charter of privately owned American-flag vessels to the extent that suitable vessels are voluntarily made available to us.

The next priority is the use of general agency ships, Government-owned ships operated by private operators under general agency agreements.

And last, when none of the others will suffice, we use foreign-flag shipping only to the extent necessary to meet military requirements that cannot be met by any other means.

That yardstick is applied in all the foreign-flag charters that we have had. We currently have four heavy lift ships under foreign flags servicing Japan. One is a gift maintained by the Norwegian Government as their contribution to the United Nations. The other three are under a regular time charter.

We also have 3 amphibious ships that are used in the project operating south from Florida where amphibious operations are required. The Coast Guard will not certify amphibious-type beach-landing ships under the American flag. Those ships are manned by Americans, owned by Americans, but registered under foreign flags.

Senator POTTER. Why won't the Coast Guard certify them?

Admiral WILSON. They will not certify anything as safe for American registry that has bow doors or ramps, such as an LST or similar amphibious craft. It is safety, primarily.

These ships are actually ex-Navy amphibious ships, sold to an American and registered under a foreign flag and in our service.

Mr. DREWRY. On the subject of roll-on and roll-off vessels, is the bow-ramp type considered in that connection?

Admiral WILSON. Not the beaching type, no. It does have a ramp feature. The designs we have considered so far have a ramp feature, usually a stern ramp.

Mr. DREWRY. No study has been made by the Coast Guard?

Admiral WILSON. The amphibious force will take care of that.

Senator POTTER. You are speaking of vessels like the LST?

Admiral WILSON. No, we are speaking, Senator, of a modified Seatrain, ships more of that type, that have tracks aboard for real equipment, more adequate decks for tanks, trucks, that you could put alongside of the pier and by slanting the ramp wheel the cargo off rapidly, or you can drop the stern ramp onto barges out on the stream and unload that way; fast turnaround is the criterion on the thing, to get it out of a hotspot, deliver the cargo, and get away, but not to include beach operations.

Mr. DREWRY. Are we pretty short of commercial reefer capacity at the present time, fully refrigerated ships; are there some in the reserve fleet?

Admiral WILSON. There are some in the reserve fleet. We have in service in the Pacific a total of nine reefers, which were activated by the Pacific Far East Lines at their expense, and authorized by Maritime to operate in Pacific service so long as they confine their operations to our reefer business.

They cannot by agreement with Maritime, haul commercial dry cargo in those ships. They can take our dry cargo, and we do fill them up with dry cargo.

Generally speaking, there is a great shortage of reefer ships as such, certainly those that are available to us.

The United Fruit have a large number of reefers, but they are used exclusively in their own business and are not available for charter. There is a definite shortage of reefer ships available for charter.

Mr. DREWRY. There were a number of C1–M–A–V1 that were actually refrigerated?

Admiral Wilson. Yes, sir; some R–2's, several types of various capacity.

Mr. DREWRY. Have any of them been drawn out from the reserve fleet and used in general agency operations since the start of the Korean war?

Admiral WILSON. There are no reefer ships in general agency. The nine that I spoke about are R–2's that are bareboated to these west coast steamship lines primarily for service to us.

Mr. DREWRY. If they are insufficient, then, you pretty well have to go to foreign ships to get what you need?

Admiral WILSON. That is right. This Dane that you spoke about was intended to be chartered for a specific summer project for which no privately owned ship was available, and which if we had not been able to charter from the Danes, we would have had to go to heavy expense and to man with our own personnel. The economics of the thing didn't justify it.

Senator POTTER. Admiral, later on I assume we will have open hearings. Of course, we don't want to have you violate your security. I am wondering if there would be any objection, when we have our open hearings, to making available in a public hearing the target that you have enunciated here?

Admiral WILSON. Senator, we carefully considered whether to make this paper classified this morning before we came up here. We concluded that we didn't need to. It is stamped "restricted," but I don't think that we would have any trouble in getting it, in its present form, down to unclassified.

We felt we would make it restricted for the purpose of this closed hearing because it wouldn't be appropriate to have it hit the newspapers, for example, or something of that sort. It is my feeling that anything that is in this could well be given in an open hearing.

Mr. DREWRY. Your studies jointly with Maritime are underway to such an extent that it won't be too long before you can come and go into this material still further in a public hearing, is that right?

Admiral WILSON. I think that is a reasonable assumption, yes. I don't see, based on the plans that are available now, why it would be necessary to devote more than 3 or 4 months to a complete development of the thing.

Of course, when the plan changes, which it very probably will—it always has in the past—we would have to review and take a second look at what we have determined. It is intended, of course, that that group be a continuing group to do just that.

Senator POTTER. That is what the Department of Commerce said this morning, that within 2 or 3 months they thought they would have the studies well enough under way that it would be completed, and they would be able to testify about it.

Admiral WILSON. I think that is a reasonable assumption, sir. Of course, it is our desire to have that done.

Senator POTTER. The sooner we can have that done the better off we will be. The question was brought up this morning that we can't sit still until all these studies have been made. We are in a continuing operation. The Maritime Commission is going to have to act on applications as they come up.

Admiral WILSON. We have discussed that problem with Maritime in these meetings. I think it is the consensus of the group that within 2 or 3 months, perhaps 3, we can make a pretty complete analysis of this thing which will then be accurate within a reasonable percentage,

unless there is a drastic change in the world situatiou, which no one can foresee; I think we would be of sufficient accuracy to place the emphasis in the proper places and be the source of origin for the necessary legislation and policy and determination on the part of the Congress.

Senator POTTER. I want to thank you, Admiral, for being most cooperative with us.

Mr. Drewry will be in contact with either you or members of your staff. I will appreciate any help that you can give him.

Admiral WILSON. It was a pleasure to be here, Senator.

Senator POTTER. Our next witness is Mr. Harvey Klemmer. Mr. Klemmer is here from the State Department to give us their views on this problem.

As you know, in my letter of April 24, 1953, I advised the Honorable John Foster Dulles of the formation of this subcommittee and the scope of its jurisdiction. I stated at that time that the subcommittee would have to review the policy declared in the Merchant Marine Act of 1936, and other basic shipping acts, and the effectiveness of existing legislation in the implementation of that policy in the light of domestic and international conditions. Obviously, the subcommittee is desirous of receiving the benefit of the views of the State Department in regard to the position of the American merchant marine as an instrument of national policy in the field of international relations.

(The letter referred to follows:)

APRIL 24, 1953.

Hon. JOHN FOSTER DULLES,
*Secretary of State,*
*Department of State, Washington, D. C.*

MY DEAR MR. SECRETARY: Pursuant to Senate Resolution 41, January 30, 1953, I have been appointed chairman of a subcommittee of the Interstate and Foreign Commerce Committee to make a study and analysis of construction-differential and operating-differential subsidies in the maritime field, together with other forms of Government aid to American shipping. In addition to myself, the other members of the subcommittee are Hon. John M. Butler, of Maryland, and Hon. Warren G. Magnuson, of Washington.

To conduct such studies, the subcommittee will have to review the policy declared in the Merchant Marine Act of 1936 and other basic shipping acts, and the effectiveness of existing legislation in the implementation of that policy in the light of existing domestic and international conditions.

In pursuance of its studies, the subcommittee will wish to receive the benefit of your views in regard to the position of the American merchant marine as an instrument of national policy in the field of international relations.

It is my intention that the subcommittee will begin its studies immediately. Accordingly, I hope that you will be able to have prompt consideration given to the above matter in preparation for hearings to be held in the near future. The subcommittee will wish to discuss these problems with you or your designated representatives informally in closed session before proceeding to the consideration of the more detailed aspects thereof.

Sincerely yours,

CHARLES E. POTTER,
*Chairman, Special Subcommittee on Maritime Subsidies.*

Senator POTTER. At this time, we are only attempting to have an informal discussion in order that the subcommittee may have a better understanding of the nature and extent of the problems with which we are confronted. It is my understanding that the State Department has worked very closely with the problem of collecting and evaluating foreign ship construction cost data for use by the Maritime Board in determining construction differential subsidies. I believe the Depart-

ment also is familiar with operating differential cost data. In addition, we will want the Department's views on the matter of discrimination by foreign countries against American shipping and other matters on which the knowledge and experience of your representatives can be useful to the subcommittee in reaching its conclusions on our national maritime policy.

Do you have a statement which you would like to read?

## STATEMENT OF HARVEY KLEMMER, DEPUTY DIRECTOR, OFFICE OF TRANSPORT AND COMMUNICATION, DEPARTMENT OF STATE

Mr. KLEMMER. I have a very short one, Senator. The Department of State welcomes this opportunity to appear before the Special Subcommittee on Maritime Subsidies. The development of a sound and long-range shipping policy for the United States is of great importance to our relations with other countries.

I have been directed to assure you that the Department will cooperate in every way it can to facilitate and to make fruitful the work of this committee.

The State Department is forced to approach the shipping problem from the standpoint of overall foreign policy. Unlike some agencies which are charged with a single responsibility, we have many responsibilities and the discharge of one must be viewed in relation to its effect on all the others.

The Department has been gratified to learn that this committee plans to make a broad study of Government aid extended to the merchant marine. I should like to be able to give you a statement outlining the Department's views on shipping policy as it has evolved over the years, with particular reference to developments which have occurred since the Merchant Marine Act of 1936 took effect.

However, as the members of the committee will readily understand, the new administration has not had time to review all aspects of our foreign policy, including shipping policy.

The Department therefore does not believe that we should attempt to put in a formal statement at this time.

If the members of the committee have any questions on shipping policy as it relates to the conduct of foreign affairs, I will, of course, answer these questions to the best of my ability.

We don't feel that in view of the short time that the new management has been in charge there that we can take formal positions on some of these questions.

Senator POTTER. We can appreciate that. I think one of our efforts in having this discussion today is not so much to come up with the answers but to make sure that we are recognizing the same problems.

I think that can be as valuable many times as coming up and saying, "This is the answer today," and then tomorrow we will find it is not the answer.

To be frank with you, I can well appreciate the fact that you may well not be in a position to give some definite answers, but we hope the Department of State is recognizing some of the problems that the maritime industry is faced with.

Mr. KLEMMER. By the time you have your open hearings I think the thing will be crystallized there to the point where we can give you some more forthright answers than we can now.

Senator POTTER. Just what do you do, just what does the Department of State do in relation to the construction subsidy program? I assume the Maritime Board requests you to secure some data for them, and the Department of State's effort is just in securing that data; is that true?

Mr. KLEMMER. That is right. Until 1948, the summer of 1948, the then Maritime Commission had their own staff for collecting data. It was a small staff. It consisted of 2 people abroad, both located in Europe, 1 construction cost expert and 1 operating cost expert.

On July 1, 1948, we took over the function of obtaining this following cost data. We took over the 2 men that Maritime had on this thing, on this work. We added to the staff until we recently had a total of 9 men working on this project.

I supervised the collection of data in Europe, in connection with other duties that I had at the Embassy in London, until 2 years ago now when Mr. John Mann, who is in the room, took over.

Mr. Mann has just returned from his 2-year assignment on this cost work. I think he will bear out anything I have to say about it.

Senator POTTER. Did you find a reluctance—I am thinking now of securing data for construction subsidy—on the part of foreign shipyards to give you the data when they knew they were not going to get the work? It has always seemed a dangerous thing to be doing, to ask the guy how much it is going to be to do the work and to know that he is not going to get the job.

Mr. KLEMMER. It is a sore subject with us. I would like to tell you frankly what we ran into in endeavoring to get this data.

The first thing we did was call on all the people that we hoped to get data from, and explain to them the operation of the Merchant Marine Act of 1936, with which they were quite familiar, anyway, and put it up to them on this basis:

The United States intended to have a merchant marine, that to have such a merchant marine we found it necessary to subsidize the building and operation of ships, that we were dedicated to the parity principle that would put American builders and operators in a competitive position with their foreign competitors, and that if the foreign shipbuilders would cooperate with us in giving us this necessary data this thing would be kept on an even keel; in other words, it would be kept on a parity basis. If they didn't cooperate with us, we would have to use what data we could get, and if we were going to make any mistakes we would probably make the mistakes on the side of overpayments and not underpayments in order not to do an injustice to our people.

The shipbuilders cooperated to a surprising extent, much better than the foreign operators did. In fact, we didn't have much trouble on the building side, but we had a lot of trouble on the operating side. In fact, we have had a terrible time on the operating side.

There were other factors, the relations between the Maritime Commission during the war and foreign shipbuilders, especially British shipbuilders, were very close and friendly.

Admiral Land, Chairman of the Maritime Commission, and Admiral Vickery, Vice Chairman of the Maritime Commission, knew the British shipbuilders and were highly respected by them. So we went in there with the climate very good in the beginning.

Also, these countries were grateful to us for what we had done during the war and after the war to help them. Several of them told us that although they didn't like this chore they wanted to do the right thing by the United States and to help us out in this difficult chore.

Senator POTTER. Did we pay them for any work they might have to do in order to make this determination?

Mr. KLEMMER. No. I might add one more point before we get off this business of getting the cooperation of the builders. We also pointed out to them that it would be to their interest if we got this data right from headquarters rather than running around and bothering their technicians and snooping, peeking over somebody's shoulders and getting it that way.

They readily agreed it would be better, from their standpoint, to give us cooperation rather than have us on their necks all the time.

Now, what was your question, Senator?

Senator POTTER. I assume by doing this we would put them to some cost of manpower, at least, and if we paid them for their effort to secure this data for us?

Mr. KLEMMER. No; we never paid. We were working under a considerable disadvantage because of the fact that we couldn't pay. We had very little to spend, even in the way of representation money. Many times, I suppose hundreds of times, literally, we took men out to lunch and to dinner, and bought them a drink and paid that out of our own pockets, because the representation allowance in the Foreign Service, as you probably know, is very low.

Senator POTTER. You have to charge your representation loss to the Maritime Board.

Mr. KLEMMER. So, we were greatly handicapped in not being able to at least entertain them a little. Some of these yards were surprisingly generous in the amount of time they would devote to a thing like this.

Senator POTTER. Did you find any collusion on the part of either the yards or the operators? After all, it might be in their best economic interests as a country, maybe, to falsify the data.

Mr. KLEMMER. We took that into account. We were very suspicious, at least in the beginning. At least every paper we got we went over it with the idea of trying to find something wrong with it.

I can truthfully say that we never found any evidence of any coloration of the facts. Either they turned us down cold and wouldn't cooperate, or if they did cooperate, I think the best figures we could expect them to produce without hiring a corps of estimators and a lot of engineers to do a highly technical job, as they would on bidding for a ship, was furnished to us.

Senator POTTER. It is your feeling that the data you received was fairly accurate?

Mr. KLEMMER. Yes; that it was fairly accurate. I think I should make clear that the man we took over on construction had been chief engineer of the Liberty ship program at the Maritime Commission

during the war; had 38 years of experience in private shipyards, and with the Government; a man of great integrity and vast experience.

It would be very hard to pull the wool over his eyes, I would say.

Every single man taken on this cost project work was recruited out of the Maritime Commission or out of the Navy, and everyone was approved by the Maritime Commission.

Senator POTTER. Who is this man?

Mr. KLEMMER. This man was John Grant. He is now dead. He died of a heart attack while on this work, as did his successor, Captain Schumacher, of the Navy. I have always felt the arduous nature of this work had something to do with it. They worked like dogs getting this data.

We never found anything wrong with their figures. We had first-class technicians; the very best we could get. We even asked the shipbuilding organization more than once to find us competent men.

As Mr. Gerrish Smith's record, president, Shipbuilder's Council of America, will show, we hounded him to suggest candidates because we had trouble filling these jobs.

Senator POTTER. Are the men engaged in this work now men that have had considerable experience in the maritime field?

Mr. KLEMMER. Yes. We have now Mr. Meyer, who is a practical shipbuilder of 30 or 40 years' experience, I suppose. He was most recently with the Butler Shipyards in Wisconsin. We only have two shipbuilding men, now.

Senator POTTER. Only two?

Mr. KLEMMER. We had jobs set up for three, but in the budget cutting, we had to eliminate one of the jobs, which was done with the Maritime's approval. In The Hague, we have Mr. Thomas McCraine, who also was one of those 30- or 40-year men, who has been with the Government before, during the war, and most recently was with a naval architect's firm in New York, doing joinery work.

Aside from the experience of these men, another reason they wouldn't try to collude on these figures was that no shipyard knew where else we were getting our data. Unless all the shipyards in a particular country got their heads together, we could use one aganist the other. We tried to get data from three yards in each case. Sometimes we didn't make it. Sometimes we would get only 2, and sometimes only 1.

Even if all the shipyards in a particular country got their heads together, we could check them against shipyards in other countries, which presumably they wouldn't be in touch with. We had a rough idea of the difference between the costs in the different countries. We knew that the Dutch costs were 5 or 10 percent below the British. If we got an estimate out of a British yard and that was higher than the Dutch estimate, we would know there was something wrong. The only weakness in it, Senator, is this: It was not that they would deliberately give us false figures, because I don't think they would dare, even if they wanted to, but we couldn't get out of a shipyard for nothing the kind of an estimate which you make if you were bidding for work.

So, in a matter of a day or two, with one of his estimators, or a couple of estimators working on it, would be what you might call an educated estimate of what they could build that ship for. It might

be off I don't know how many percent. They claimed they could come within 5 percent with this estimating method.

Senator POTTER. They probably had the specifications of the ship, but they didn't go into it in detail, as they would if they were bidding on the ship to do the work.

Mr. KLEMMER. No. It costs anywhere from $10,000 to $100,000 to bid on a ship.

Senator POTTER. I would like to switch to another subject.

Mr. KLEMMER. If I could adjust one thing more, we succeeded in getting the cost of every ship we set out to get in Europe, of which we are very proud. Sometimes we had to travel all over the Continent in getting it, somewhere else other than where the ship was being built.

These are ships actually being built for foreign owners which the Maritime wanted to use for yardstick purposes. Sometimes we would get it from the yard, the owner, and sometimes the bank, and sometimes from a local newspaperman who was friendly with somebody who would ask the right man. There was quite a lot of ingenuity, but on every foreign ship that we set out to get the cost on, in one way or another we finally got it.

Senator POTTER. I imagine the Department of State will appear before the Congress in support of the 50 percent requirement for American bottoms for the Government-aid program?

Mr. KLEMMER. Is there a new one pending on it?

Senator POTTER. You can bet there will be.

Mr. KLEMMER. You are asking me the $64 question, now. I can't say. As you know, the Department of State opposed the 50–50 provision in the original ECA Act, as did Paul Hoffman, and some Senators and some Representatives.

Senator POTTER. But not enough.

Mr. KLEMMER. But not enough. After it took effect, the Department saw how things stood, and like MSA, which I believe follows the same policy, just kept quiet about it.

The other day I believe Secretary Dulles told the Senate and House Foreign Affairs Committees he would have no objection if the 50–50 provisions were repealed by Congress.

Senator POTTER. If it were repealed?

Mr. KLEMMER. If it were abolished by Congress.

Senator POTTER. I don't imagine he would.

Mr. KLEMMER. I don't know how far I can go without getting in trouble during this period where we haven't really sorted ourselves out yet. I think I could say that the State Department, which has the responsibility of resisting discriminations and restrictions in quarters all over the world, naturally has to view this a little bit differently than an agency concerned with shipping.

We are up against quotas on other American products. The automobile dealers of Michigan are very unhappy right now because the British have put a quota on United States automobiles of six per year. We have to face all these other industries. They don't like quotas.

Senator POTTER. Six automobiles?

Mr. KLEMMER. Yes. Each manufacturer is allowed to bring one in to show it around and to show what it can do. They can't spare dollars for automobiles. When they put the quantitative restriction on our timber, apples, pears, citrus fruits, tobacco, cotton, things

that are vital to other segments of the American economy, it greatly weakens us when we go around to foreign offices and protest, if they just point to our 50–50 provisions——

Senator POTTER. If we got a 50–50 break with our so-called allies, I think we would be getting a good break.

Mr. KLEMMER. You wouldn't expect me to comment on that. That is why the State Department has felt they had to oppose this in the beginning.

Senator POTTER. I didn't mean to embarrass you on it. I do think you recognize the problem. I hope you will report it back to the policymakers in the Department of State, that I know as far as the thinking of this committee is concerned, and I think you will find it is as far as the Congress is concerned, that they will continue to insist upon a 50–50 percent requirement for the use of American bottoms.

Mr. KLEMMER. We are doing our best to live with it. If you continue the legislation, we will continue to try to live with it.

Mr. DREWRY. Mr. Klemmer, I don't recall whether you stated your capacity with the State Department or not.

Mr. KLEMMER. I am the Deputy Director of the Office of Transport and Communications. We ride three horses there, aviation, shipping, and telecommunications. Sometimes we think they are all going at different directions at different times.

If you get around to 50–50, the foreign countries are very eager to have 50–50 deals on aviation. They don't hesitate to use the 50 percent thing on aviation.

Senator POTTER. If they were sending the goods over to us free, maybe they could get it.

Mr. KLEMMER. We have tried repeatedly and consistently to point out that grants-in-aid are not foreign commerce.

Senator POTTER. No, as a matter of fact, you can't expect the American people to carry on a foreign-aid program which, in my personal view, has a great deal of merit, and some of that shipping would be shipping in normal trade which our own merchant marine would be carrying.

For our Government to be financing the program, and then to allow this transportation medium of our merchant marine to die out, doesn't make sense.

If you heard the Department of Defense people that testified befor you, we are lacking in our target of the merchant marine that we should have for national defense purposes. Certainly, we want to get all the commerce that we can to provide that defense. It is a big problem.

I know of no other transportation field which is faced with as serious problem today as the merchant marine. That is the reason for the subsidy program. Certainly, we are spending money on the one hand to maintain the merchant marine with a subsidy program, and the least we can do is to say that 50 percent of the goods that we are sending over there with the aid program be carried in American bottoms.

I think that is the general conception of the Congress; it has been in the past.

Mr. DREWRY. Mr. Klemmer, you have been associated with the merchant marine problem for quite some time, haven't you?

Mr. KLEMMER. Yes; I think about 25 years, Mr. Drewry, including 4 years as a sailor. I am always proud of that. I think I am one of the few sailors in the State Department.

Senator POTTER. They are making more money today.

Mr. KLEMMER. They certainly are. We were glad to get $72.50 in World War I.

Senator POTTER. They tell me that an average merchant marine man today is getting about $600 a month.

Mr. KLEMMER. I don't think the average would run that high. But AB's are $5,000-a-year men, and possibly $6,000. It is going to cause us to come to a crisis, I should think, one of these days.

Mr. DREWRY. You remember the various elements that are subsidized for the purpose of operating subsidies, wages, maintenance and repairs, subsistence, insurance and stores?

Mr. KLEMMER. Yes.

Mr. DREWRY. Have you any comment to make whether or not, in your opinion, and from your experience in gathering this data on the other side, whether the reason for continuing to subsidize all of those items continues or could some of them be discontinued at this time? For instance, is subsistence more or less an expense here or abroad, in view of American production methods in the preparation of food, and so on?

Mr. KLEMMER. This doesn't concern the State Department, of course. But my personal views on that, having lived with this for many years, are that the differentials in the other fields besides wages aren't sufficiently important to justify the amount of work that has to go into the calculations of these differentials.

If we could get this thing down to a wage differential only, the cost-collecting problem would be greatly simplified, of course. Wages are quite easy to handle, the wage differential, that is. But when you get down into subsistence, you are really up against an impossible calculation, because we not only have to find out what cabbages, and whatnot, cost all over the world, and then that figure is meaningless unless you know where they buy them. It doesn't matter what a thing costs per pound in the United Kingdom if the man in the United Kingdom stops en route.

The thing has gotten so complicated that we are now trying to find out not only what they pay, but the different ports from which they buy them, the percentage that they spend in the different ports, and, it seems to me, it is just too complicated.

Senator POTTER. You mentioned about discrimination, that you were asked to work with other governments in an effort that they don't discriminate against our shippers. Are you familiar with the insurance program? I think the Department of State has been asked, in the past, to work with foreign governments to eliminate the discrimination on insurance.

Mr. KLEMMER. I am not familiar with that, Senator. I wonder if Mr. Mann might have worked on it in London?

## STATEMENT OF JOHN MANN, MEMBER OF SHIPPING POLICY STAFF, DEPARTMENT OF STATE

Mr. MANN. I didn't work on that in London. I have heard some of the sound and fury. I think the trouble is by reason of certain countries stating that insurance on cargo would have to be purchased in their market. I believe the Argentine is one. Although I have been abroad, I can only speak to you from what I have read.

Senator POTTER. I don't know how prevalent it is. I have heard that some of the countries require the insurance to be placed in their own country. Normally, you consider shipping insurance as a world-wide market on a competitive basis. I was just wondering if you had any contact in that field.

Mr. KLEMMER. I haven't worked on that. We have a little statement here which you might want to have in the record. It deals with what the Department has done since April 1952, when Senator Magnuson held his hearings on discrimination.

I had a brief statement prepared on what we have done during this ensuing year about some of these discriminations that he was concerned about.

Senator POTTER. We will be glad to have that.

Mr. KLEMMER. This is a summary of efforts made by the Department of State since April 1952, to obtain the removal of foreign discrimination against United States shipping:

Argentina: Discussions with Argentine officials on May 8, 1952, revealed that previous representations by the Department had effected the removal of certain discriminatory Argentine port charges. Decree No. 26224, effective January 1, 1952, established the same level of fees for Argentine and foreign vessels in entrance fees, light and health dues, permanency dues, and wharfage and anchorage-in-road dues. This fact was not brought out at the 1952 Senate hearings on foreign discriminations against United States shipping. This information was furnished by letter from the Department to Senator Magnuson on June 18, 1952.

In February 1953, the Department concurred in the Maritime Administration's denial of a waiver to the provisions of Public Resolution 17 with respect to a $5 million loan by the Export-Import Bank to the Sociedad Minera Argentina. This action was taken in view of the remaining Argentine discriminations against American shipping.

Brazil: On April 2, 1952, the American Embassy at Rio, upon instructions from the Department, strongly protested the renewal of discriminatory Brazilian berthing regulations. As a direct result of these representations, the berthing privileges accorded to Brazilian vessels were suspended on April 4, 1952.

Prolonged negotiations with Brazil have resulted in a recent understanding aimed at resolving outstanding shipping problems between the United States and Brazil. On January 6, 1953, berthing preferences and the exclusive use of warehouses for Brazilian vessels were cancelled by administrative action. There is reason to believe that the Brazilian Government will seek to permanently eliminate berthing as well as other discriminations by the initiation of necessary legislative action.

Canada: On April 30, 1952, the Department instructed the American Embassy at Ottawa to protest once again the compulsory assessment of pilotage dues at ports in the British Columbia pilotage district. The Canadian Department of External Affairs reiterated its previously expressed views that its pilotage regulations do not depart from the principle of parity of treatment and therefore do not constitute a discrimination against American vessels.

Ecuador: Efforts to eliminate Ecuadoran discriminations against United States shipping by negotiation of a treaty of friendship, commerce and navigation have not been successful.

In July 1952, the question of Ecuadoran shipping discriminations was brought to the attention of the Minister of Foreign Affairs by the American Embassy at Quito. On May 1, 1953, the Department instructed the American Embassy to make known to the new Ecuadoran Government this Government's concern over the discriminatory consular fee regulations enforced by Ecuador and to request their removal.

France: In July 1952, the Department instructed the American Embassy at Paris to bring once again to the attention of the French Government this Government's concern over the compulsory use by American vessels of "courtiers maritimes," or licensed customs brokers at French ports. These representations were renewed by the Embassy in December 1952.

The compulsory use of "courtiers maritimes" has also been brought to the attention of French authorities with respect to a request for a waiver to P. R. 17 in connection with a $45 million Export-Import Bank credit to France for the purchase of cotton. Extensive negotiations have been carried on by the Maritime Administration and the Department in this regard. As a result of these efforts, the French Government recently made a slight modification of this regulation. The Department is continuing its efforts to entirely relieve American ship operators from the extra expense of this practice.

Spain: In April 1952, the Department concurred in the Maritime Administration's decision to deny a waiver to P. R. 17 in connection with a $12 million Export-Import Bank loan to Spain. This position was taken in view of the failure by Spain to eliminate certain discriminatory exchange regulations.

Following prolonged negotiations by the Maritime Administration and the Department with Spanish authorities, a waiver was granted to P. R. 17 in June 1952, in view of a Spanish decision to permit American carriers to collect freight in pesetas to the extent of their annual port and administrative expenses in Spain. However, this decision was not implemented by Spanish authorities until December 1952, and only after representations were made by the American Embassy at Madrid. The Department is continuing its efforts to achieve equitable treatment for United States shipping in Spain.

Mr. DREWRY. I think Senator Magnuson is sorry not to be here and to be able to go into that with you.

Mr. KLEMMER. Discrimination is one place where the State Department agrees with you 100 percent. We are very much against them. We would do everything humanly possible to get rid of them. As Senator Magnuson pointed out in his hearings, you stop one here and it pops up somewhere else. We have it in other fields, too. We have

it in the aviation field. We just resist these things everywhere. As soon as you get one cured, somebody thinks up another one.

The final answer, of course, and the best answer, is in the negotiation of treaties of friendship, commerce and navigation with as many American countries as possible. We are going ahead and continuing to negotiate additional treaties. Those move very slowly.

Senator POTTER. We are allied with several Western European countries in our NATO agreement to pool resources for defense purposes in Western Europe. Have we done anything about pooling—in the case of an emergency—our merchant marine fleet?

Mr. KLEMMER. Yes; we have this North Atlantic Planning Board for Ocean Shipping project. If you would like, I have a short statement, a page and a half, that I could give you on that. It is unclassified.

Senator POTTER. We will be glad to have that.

Mr. KLEMMER. In accordance with its directive from the North Atlantic Council, the North Atlantic Planning Board for Ocean Shipping (PBOS), which was created by the Council in May 1950, has agreed on an outline plan for the mobilization of oceangoing shipping in a single pool and its allocation on a worldwide basis in time of war or wartime emergency, and for the establishment in such circumstances of an international organization of a civilian character to be known as the Defense Shipping Authority.

The objective of the Defense Shipping Authority would be to insure that shipping is so organized as to achieve the greatest possible economy in its employment and to render it effectively and readily available to meet the needs, both military and civil, of the cooperating nations.

The main principles which would govern the operation of the Defense Shipping Authority are that each participating government should, in war or wartime emergency, take all the oceangoing merchant ships of its own flag under its own control and place them in a central pool for allocation to employment by the Defense Shipping Authority. Each government would insure that the ships under its control carry out the tasks allotted to them by the Defense Shipping Authority. The arrangements between each government and its shipowners would be the domestic concern of that government, but would be of such a nature that individual owners would have no direct interest in the financial results of the employment to which their ships were allocated. For the purposes of day-to-day allocation, 2 branches would be established, 1 in Washington and 1 in London, with all participating governments having the right to be represented in both branches. While the pool of shipping would be operated as a single unit, the branch in Washington would deal primarily with shipping and the demands for shipping services of the Western Hemisphere and the London branch would deal primarily with shipping and the demands for shipping services of the Eastern Hemisphere. It is intended that, should the Defense Shipping Authority be brought into being, non-NATO countries which participate in the common effort should be invited to place their oceangoing merchant ships in the pool and become members of the authority.

The underlying principles of this plan, which have been carefully studied and analyzed in the Planning Board for Ocean Shipping by the

member countries of the North Atlantic Treaty Organization over a period of about 3 years, are not new. During World War II, ocean-going merchant ships of allied countries were mobilized in a single pool from which they were allocated to meet specific needs, both military and civil, according to approved priorities. The Planning Board for Ocean Shipping has studied the system used in the last war with a view to revising and perfecting it.

That gives the philosophy of it. It is an extension of the system we used in World War II, whereby the ship that was handiest to a given cargo would pick it up rather than wait for the shipper of a particular flag. It doesn't mean we lose any sovereignty over our own shipping. We have our own shipping, and the other countries have their own shipping. But we subscribe to the principle that all our shipping should be utilized to the best advantage, to do the best job.

In that way, we get much more use out of our shipping, rather than if each country had its own shipping on a watertight compartment.

Senator POTTER. I have heard that in case of an emergency, in case of war, all-out war in Europe, that immediately each country would send in to, I believe, London, all the data as to the characteristics of their shipping, where their ships were located.

Mr. KLEMMER. That is approximately the story.

Senator POTTER. There has been some suggestion made that while we have certain requirements for the number and characteristics of our shipping for our national defense, that because we are tied in with NATO countries in a mutual effort, the availability of, at least, a certain number of those ships should be included as meeting part of our defense needs. Are you in a position to comment on that?

Mr. KLEMMER. Of course, every country wants to have shipping subject to its own control, under its own flag, which it considers adequate as the minimum nucleus, let us say.

The purpose of this NATO PBOS exercise is to match the total requirements of all the countries against the total availability of all the countries and see where we stand. Of course, it is no secret that the requirements are greater than the available shipping, even if you add them all up, because requirements have a habit of being bigger than what you have to carry.

Senator POTTER. You are speaking of being under wartime conditions?

Mr. KLEMMER. Yes; even cutting out all luxury imports, and even the reduction of the diet to so many calories a day in some countries. You have a deficit of shipping overall there.

Senator POTTER. You would be inclined to agree with the representatives of the Department of Defense that while it is true they may be available for use in case of a national emergency, that even with our target, if we should reach our target as far as the number and characteristics of our ships, that even the, what aid we might get from our allies, as far as ships were concerned, wouldn't necessarily be on the plus side?

Mr. KLEMMER. We would still have to embark on a tremendous shipbuilding program, I think. The thought there is that you don't consider foreign shipping as the whole answer, or as a substitute for your shipping. You merely take them into account in evaluating your minimum needs.

Senator POTTER. And to be in a position where they can be utilized to the best advantage?

Mr. KLEMMER. That is right. And they do give you some breathing space there, too. I should think we would have to embark on a shipbuilding program like the last one, possibly even bigger.

Senator POTTER. I hope if an emergency should develop that our merchant marine will be strong enough, though we would have to embark on a shipbuilding program, that it won't be like the last one, but maybe we are thinking too much of a utopian situation.

Mr. KLEMMER. It took 2,500 ships in World War I, 5,500 in World War II, and in world war III it might take 10,000. It would depend on how long it lasted and what the attrition was.

We are the only country, I suppose, that could mass-produce ships in time of war. The chances are the burden would fall on us again of really producing.

Senator POTTER. I have no further questions. Have you, Mr. Drewry?

Mr. DREWRY. Mr. Klemmer, you are familiar with the provisions of the 1936 act which sort of established a "Buy-American Act" for both ship construction and ship operation for vessels built with construction subsidy aid, materials must be of American production and manufacture and supplies, and so on, must be bought from American sources.

Have you encountered any difficulty from our allied nations contending that that is anything in the nature of a discrimination?

Mr. KLEMMER. No; I can't say we ever had anybody complain about that.

Mr. DREWRY. Do you have any views on it as to where it fits in with the "trade, not aid" aspect?

Mr. KLEMMER. The only thing I could say at this time is that that is the sort of thing that encourages similar measures in other countries. Certainly the Buy-American slogan isn't going to help the shipping industry very much if it is extended to other fields.

I suppose the worst thing that could happen to the merchant marine would be to have the American consumer start on a Buy-American spree.

Mr. DREWRY. I suppose that is why it appeared in the act, that was the philosophy at the time the bill was introduced. It was introduced in the depression. I wondered if it had value, and I wanted your comments as to that.

Senator POTTER. Do they pay any attention to that provision?

Mr. DREWRY. They have to by law.

Mr. KLEMMER. I said we hadn't any complaints about the buy-American provision. We have had some complaints about the 50-percent repair duty. Foreign shipyards would naturally like to get some repairs, and it probably would help the American operator when he is in the port where the labor situation is just right, and he has some time to spare, possibly, to make some repairs abroad.

Mr. DREWRY. A subsidized operator can't make repairs abroad at all except in an emergency?

Mr. KLEMMER. That is right. The others have to pay a 50-percent duty on theirs, except emergency, don't they?

Mr. DREWRY. Do you think that that works to the disadvantage of the operator in ways other than the actual differential in the cost

of repairs themselves? For instance, the question of time, convenience.

Mr. KLEMMER. Up to now, since the war, repairs have been so fast in the United States that it has been actually to the advantage of most operators to repair here. Foreign operators, when they can get their hands on some dollars, like to repair in the United States.

Normally, and I can only express a purely personal reaction to this, I should think anything that contributes to the freedom of choice of a businessman is all to the good.

Whether or not the benefits to the shipyards outweigh the disadvantage to the operator, I can't say. We did have a shipyard in Germany, which was pointed out to us after one of our officials had made a speech on "trade, not aid," that he would like to do some repairing of American ships but as long as there was a 50-percent duty on it, he wasn't able to get any of that work.

Senator POTTER. Thank you kindly, Mr. Klemmer, for taking the time to appear before the committee.

Colonel Syran, we are pleased to have you with us today. I understand this sort of conflicted with a speech that you had. We are very pleased that you arranged to be here because we are anxious to have your views at this informal meeting.

## STATEMENT OF COL. ARTHUR SYRAN, DIRECTOR OF TRANSPORTATION DIVISION, MUTUAL SECURITY AGENCY

Colonel SYRAN. I am very glad to be with you, Senator.

Senator POTTER. I have a preliminary statement, which I think will give you the basis of the reason for asking you down here.

On May 6, 1953, I wrote to the Honorable Harold Stassen, Director for Mutual Security, advising him of the formation of this subcommittee to make a study and analysis of construction differential and operating differential subsidies in the maritime field. In that letter, I pointed out that we would have to review the policy declared in the Merchant Marine Act of 1936 and the effectiveness of existing legislation in the implementation of that policy in the light of existing domestic and international conditions. I asked Mr. Stassen to appear at this executive hearing or to designate qualified representatives of his agency to appear in his behalf in order that the subcommittee might have the benefit of his views in regard to the relationship of the American merchant marine and maritime policy to the programs being carried out under the jurisdiction of the Mutual Security Agency.

(The letter referred to follows:)

MAY 6, 1953.

The Honorable HAROLD E. STASSEN,
*Director for Mutual Security,*
*Mutual Security Agency, Washington, D. C.*

DEAR MR. STASSEN: Pursuant to Senate Resolution 41, January 30, 1953, I have been appointed chairman of a subcommittee of the Interstate and Foreign Commerce Committee to make a study and analysis of construction-differential and operating-differential subsidies in the maritime field, together with other forms of Government aid to American shipping. In addition to myself, the other members of the subcommittee are Hon. John M. Butler, of Maryland, and Hon. Warren G. Magnuson, of Washington.

To conduct such studies, the subcommittee will have to review the policy declared in the Merchant Marine Act of 1936 and other basic shipping acts, and the effectiveness of existing legislation in the implementation of that policy in the light of existing domestic and international conditions.

In pursuance of its studies, the subcommittee will wish to receive the benefit of your views in regard to the relationship of the American merchant marine and maritime policy to the programs being carried out under the jurisdiction of your agency.

I hope that you will be able to have prompt consideration given to the above matter in preparation for hearings to be held in the near future. The subcommittee will wish to discuss these problems with you or your designated representatives informally in closed session before proceeding to the consideration of the more detailed aspects thereof.

In this connection, I would appreciate your appearance or that of qualified representatives appearing in your behalf before the subcommittee at an informal closed hearing in room G–16, the Capitol, at 10 a. m., Thursday, May 14, 1953.

Please notify Mr. John M. Drewry, special counsel for the subcommittee as to the names and titles of the witnesses who will represent your department. Mr. Drewry can be reached at the Capitol (code 190) on extensions 1297 or 2109.

Sincerely,

CHARLES E. POTTER,
*Chairman, Special Subcommittee on Maritime Subsidies.*

Senator POTTER. Since the end of World War II, a large portion of our merchant marine has been engaged in the carriage of relief and rehabilitation and other foreign-aid cargoes to many parts of the world. Since these aid programs were initiated, however, there have been many adjustments in the international situation and it is our desire at this time to develop some conception of your views in regard to present and future requirements for merchant shipping under current conditions so that we may have a better understanding of the scope of our overall maritime requirements.

We will, of course, welcome your comments on other phases of our problem where they touch on other matters under your jurisdiction.

Colonel SYRAN. Senator, that letter has been delivered to counsel for the committee designating me to appear in behalf of Governor Stassen, who is at the moment out of the country.

Senator POTTER. I understand that is so. We are very happy that you are representing him here.

Colonel SYRAN. My official title with the agency is the Director of Transportation Division. I don't have any prepared statement, Senator, but I will be glad to answer any questions regarding the use of the American merchant marine in the foreign aid program.

Senator POTTER. How long have you been with the Mutual Security Agency?

Colonel SYRAN. I have been the Director of Transportation since 1948, since June 1948, almost since the beginning of ECA program and continued in the same capacity under the mutual security program.

Senator POTTER. What has been your experience with the 50-percent requirement for the shipment of cargo on American bottoms?

Colonel SYRAN. Well, I can't explain that in terms of experience. I would like to clarify something that was said by the State Department regarding Mr. Paul Hoffman. I know that he did not favor the provision, but I recall of no statement that he ever made opposing the statute.

He did express a feeling in the spring of 1949, when there was an amendment to the original shipping section, that he didn't want it extended. But he did make a statement, so far as I can recollect, that he could live with the statute as it was there written.

As to the present position of the agency, just a few days ago, Senator Fulbright asked Governor Stassen at the same time that he

asked the question, I believe, Secretary Dulles, as to what his views were with respect to the provision, and I will quote Governor Stassen's answer. He said:

> I feel that that is one of the items that should be studied in the overall economic study that the President has aked for in which the Senate and the House and other executive branch leadership should participate. In other words, that involves this whole matter of the United States economic relationship to the rest of the world.

That was Governor Stassen's position.

Senator POTTER. In other words, the position was apparently that it was a matter of congressional and executive policy which he wasn't going to take any position on?

Colonel SYRAN. That is correct, sir.

Senator POTTER. Was there much objection brought to your attention by foreign governments as a result of this provision?

Colonel SYRAN. Yes. There have been objections on the part of foreign governments from time to time during the period of these programs. The objections increase in direct proportion to the decrease in available tonnage.

If there is ample shipping and a scarcity of cargo in any particular period of the year, the uncomfortable feeling, shall we say, regarding the existence of this status is more pronounced. If there is a period where there is an ample amount of cargo, and a relative shortage of ships, why, the feeling of opposition diminishes.

Senator POTTER. Are there any questions?

Mr. DREWRY. You have been associated with maritime matters for quite a long time, in addition to your experience with the MSA and ECA?

Colonel SYRAN. Yes, sir.

Mr. DREWRY. Do you have any thoughts, either personal or official, as to the effectiveness and desirability of having a program such as this 50–50 provision as a means of stimulating and assisting the American merchant marine?

Colonel SYRAN. As an overall policy, I wouldn't want to go beyond what Governor Stassen said. Quite obviously the amount of money that has found its way to the American merchant marine as a result of the movement of these eight cargoes has been very substantial.

Senator POTTER. I shudder to think what it would have been if it hadn't been for that.

Mr. DREWRY. Do you have any figures on how much it has been?

Colonel SYRAN. Yes, I have figures. I thought the question might be asked of me regarding the amount of money paid to the liner services. I only brought those figures and not those paid to tankers or to the bulk services, since you were dealing with subsidized operators.

From the beginning of the program up to June 30, 1952.

Senator POTTER. What was the beginning of the program?

Colonel SYRAN. April 1948. From the beginning of the program up to June 30, 1952, we have paid out for berth-line shipments, from all parts of the world to other parts of the world, $221 million in round numbers.

Of this, $185 million was paid to United States flag-berth operators. and $36 million to foreign-flag operators. In other words, 84 percent

of all the dollars expended for liner services by the agency for the period April 1948 to June 1952 have gone to American-flag operators.

Mr. DREWRY. How does that stack up on the 50 percent? That is considerably more than 50 percent in money, is it not?

Colonel SYRAN. The explanation for that is this: While we have attained 50 percent we do not pay, for instance, a French vessel carrying goods from the United States to France. The theory was that we would pay dollars where dollars were required. But since the operating cost in the main of a French vessel was in francs, we do not pay dollars to that nation.

We only pay, shall we say, to an English vessel or a Norwegian vessel on this berth service, if it should carry goods from the United States to France. There the normal custom of the trade requires the dollar payments.

So there is this 84 percent which has gone to American-flag operators in tonnage which represents only 50 percent, or thereabouts.

The biggest portion, of course, of this has gone to American operators on shipments ex-the United States.

You will see that the amount of money diminishes as the program diminished. From April 1948 to June 1949 United States flagberth line operators received in round numbers $57 million. In the fiscal year 1949–50, it received $51 million; the fiscal year 1950–51, $41 million; and in the fiscal year 1952, $31 million.

So it drops from $57 million down to $31 million, making a total of $181 million of shipments ex-the United States.

Senator POTTER. In projecting to the future, do you anticipate this type of cargo will decrease or increase?

Colonel SYRAN. Sir, there has been the tendency in this kind of program to go away from low-cost, high-volume and weight cargo, such as coal and grain, to more expensive cargo of less cubic in weight.

Senator POTTER. While the dollar value may increase, the cargo requirements may decrease?

Colonel SYRAN. Precisely. As an actual fact, that has continued, where I believe 3 years ago the average value of the berth-line cargo was approximately $250 a ton, valuewise, it is now running around $900 a ton, valuewise.

This is offset, of course, by the large volume of coal and grain that was shipped during certain periods, not sold today, but a year and a half ago it was in great volume, from June of 1950, until about April of 1952.

Mr. DREWRY. You say you are not prepared with the figures of the bulk cargo and the tankers. Could you supply them for the record, because we are interested in looking at the overall requirements?

Colonel SYRAN. Yes, I will be glad to give you a schedule on those.

Senator POTTER. Without objection, the material will be inserted in the record at this point.

(The material referred to follows:)

*MSA ocean freight payments to tramp vessels by fiscal year*

1. EUROPEAN PARTICIPATING COUNTRIES

[Money in thousands]

| | Shipments from United States | | | | Shipments from offshore | | | | All shipments | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | United States flag | Foreign flag | United States percentage | Total | United States flag | Foreign flag | United States percentage | Total | United States flag | Foreign flag | United States percentage |
| April 1948 to June 1949 | $204,268 | $140,249 | $64,020 | 68.7 | $6,201 | $3,907 | $2,294 | 63.0 | $210,469 | $144,156 | $66,314 | 68.5 |
| July 1949 to June 1950 | 31,070 | 26,899 | 4,171 | 86.6 | 1,783 | 1,027 | 755 | 57.5 | 32,853 | 27,926 | 4,926 | 85.0 |
| July 1950 to June 1951 | 40,506 | 38,037 | 2,469 | 93.9 | 1,061 | 276 | 785 | 26.0 | 41,567 | 38,313 | 3,254 | 92.2 |
| July 1951 to June 1952 | 111,618 | 108,358 | 3,260 | 97.1 | 849 | 143 | 706 | 16.9 | 112,467 | 108,501 | 3,966 | 96.5 |
| Grand total | 387,462 | 313,543 | 73,920 | 80.9 | 9,894 | 5,353 | 4,540 | 54.1 | 397,356 | 318,896 | 78,460 | 80.2 |
| PAYMENTS TO TANKER VESSELS | | | | | | | | | | | | |
| April 1948 to June 1949 | 14,333 | 9,289 | 5,045 | 64.8 | 102,948 | 51,357 | 51,590 | 49.9 | 117,281 | 60,646 | 56,635 | 51.7 |
| July 1949 to June 1950 | 4,765 | 3,712 | 1,053 | 77.9 | 56,404 | 27,022 | 29,382 | 47.9 | 61,169 | 30,734 | 30,435 | 50.2 |
| July 1950 to June 1951 | 1,938 | 1,629 | 309 | 84.1 | 48,222 | 25,328 | 22,894 | 52.5 | 50,160 | 26,957 | 23,303 | 53.7 |
| July 1951 to June 1952 | 869 | 349 | 520 | 40.2 | 26,362 | 14,132 | 12,500 | 53.1 | 27,501 | 14,481 | 13,020 | 52.7 |
| Grand total | 21,905 | 14,979 | 6,927 | 68.4 | 234,202 | 117,839 | 116,366 | 50.3 | 256,111 | 132,818 | 123,293 | 51.9 |

2. TO FAR EAST AREA COUNTRIES

[Money in thousands]

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| April 1948 to June 1949 | (1) | | | | | | | | | | | |
| July 1949 to June 1950 | | | | | | | | | | | | |
| July 1950 to June 1951 | | | | | $25 | 0 | $25 | 0 | $25 | 0 | $25 | 0 |
| July 1951 to June 1952 | $812 | $406 | $406 | 50.0 | 176 | 0 | 176 | 0 | 988 | $406 | 582 | 41.1 |
| Grand total | 812 | 406 | 406 | 50.0 | 201 | 0 | 201 | 0 | 1,013 | 406 | 607 | 40.1 |
| PAYMENTS TO TANKER VESSELS | | | | | | | | | | | | |
| April 1948 to June 1949 | (1) | | | | | | | | | | | |
| July 1949 to June 1950 | | | | | | | | | | | | |
| July 1950 to June 1951 | 158 | 158 | 0 | 100.0 | 1,069 | $201 | 868 | 18.8 | 1,227 | 359 | 868 | 29.2 |
| July 1951 to June 1952 | 340 | 0 | 340 | 0 | 2,881 | 0 | 2,881 | 0 | 3,221 | 0 | 3,221 | 0 |
| Grand total | 498 | 158 | 340 | 31.7 | 3,950 | 201 | 3,749 | 5.0 | 4,448 | 359 | 4,089 | 8.1 |

[1] No data available prior to Korean outbreak. However, it is estimated very little paid to tramp or tanker vessel.

Mr. DREWRY. There are proposals, or rumors of proposals, that would indicate that aid to tramps, for instance, may be projected in the near future. We would want to see what the situation was in that regard.

Colonel SYRAN. Very good. Senator, I would like to add one thing more in this study that you are making.

Senator POTTER. We are happy to have your comments.

Colonel SYRAN. This 50 percent provision is in the nature of a subsidy. There are other statutes involved in this, which you no doubt are familiar with. It is in the MDAP law. It is in the old 1904 defense law for defense activities, and the like. I think, in my personal opinion, that no real approach can be made to the subsidy question without recognizing the other facets that have a direct bearing on this subject, because subsidy alone may establish parity, but the absence of business itself, with all these other statutes, does not give the complete picture.

I think sometimes people are prone to neglect them a little bit.

Senator POTTER. I am glad you emphasized that because it is true that, while the subsidy program is for parity, other factors can enter in, which is part of the law.

Colonel SYRAN. You have the MSA law, the MDAP law. There is a 1904 statute which controls the Defense Department shipments. So that you have troop-support cargo going on American lines, as Admiral Wilson testified, as well as the MDAP cargo. There is the Technical Cooperation Administration. Then, there is the Public Resolution 17 of the Export-Import Bank. You have a number of these. I assume that Maritime has the information. Unless all of them are looked at at one time, one doesn't get the full understanding of the various facets.

Senator POTTER. We will take that up with the Department of Commerce and the Maritime people when we further resume our hearings. It is a good suggestion.

We have nothing else, Colonel. I want to thank you for taking the time to come up and to be with us. This concludes the preliminary study.

Mr. KLEMMER. Mr. Chairman, I think I should bring you up to date on that construction subsidy determination. As of now, they have a totally different approach to it. The matter of getting the price of ships is no longer germane, because they are using a different system over at Maritime. They are breaking down ships into a lot of component parts. Our present operation is giving them the price of those parts, like winches, propellers, steel, wage rates, and productivity, and all that. So that we are no longer getting the price of ships from shipyards; so the matter of whether or not they were in collusion wouldn't arise now. I didn't want to leave you with the wrong impression on that.

Senator POTTER. Mr. Drewry.

Mr. DREWRY. Mr. Chairman, before you adjourn, I would like to suggest that we insert in the record this statement of Admiral Nimitz in connection with the television program, Victory at Sea.

Senator POTTER. It is so ordered.

(The material referred to follows:)

DESIGN FOR PEACE

Statement of Fleet Adm. Chester W. Nimitz, United States Navy

In Victory at Sea, your television has presented the pictorial history of your Navy in World War II. You have seen how prewar neglect and parsimony aided the enemy to inflict staggering damage. You know the high cost of ultimate victory. World conditions today are no less sinister than in those prewar days.

The National Broadcasting Co., in cooperation with the Navy, has brought you this authentic story to provide a clearer understanding of the vital significance of seapower. Every concept of our military security rests on the assumption that the United States will control the seas in times of emergency. The foundation of our national security is seapower, in all its forms, all its weapons—submarine, surface, aerial, and amphibious assault. We hope that victory at sea, by showing the successive steps against aggression that forced the enemy's surrender on the battleship *Missouri*, has demonstrated that seapower is a tremendous instrument of national strength.

Adequate seapower insures that no future war will be fought on American soil. Seapower extends America's peaceful frontiers to the opposite shores of all oceans. Seapower, useful in countless ways, brings the world's products to our shores.

That is the message of Victory at Sea, for victory at sea guarantees peace ashore.

Senator POTTER. We plan on resuming our hearings, probably, within a couple or 3 weeks. The plan, now, will be that they will be on more specific phases of the maritime problems than have been enunciated here. We anticipate there will be open hearings.

Thank you, gentlemen, for being here. You have been very kind, indeed.

(Whereupon, at 4:30 p. m., the subcommittee adjourned.)

# MERCHANT MARINE STUDIES

**TUESDAY, JUNE 16, 1953**

UNITED STATES SENATE,
SPECIAL SUBCOMMITTEE ON MARITIME
SUBSIDIES OF THE COMMITTEE ON
INTERSTATE AND FOREIGN COMMERCE,
*Washington, D. C.*

The subcommittee met, pursuant to call, in room G–16, Capitol, at 10:06 a. m., Senator Charles E. Potter presiding.

Present: Senators Potter, Pastore, and Smathers.

Also present: Mr. John M. Drewry, special counsel to the subcommittee.

Senator POTTER. The subcommittee will come to order. The other two members of the subcommittee are not present at the moment. Senator Butler of Maryland has not arrived as yet. He may be here a little later. Senator Magnuson happens to be out of the country at the present time. If you will bear with me, we will have a one-man subcommittee at the present time.

Since this is the first public hearing to be held by this subcommittee, I think it is desirable to make a preliminary statement in regard to our studies before hearing the first witness.

As you all know, in April, Chairman Tobey, of the Interstate and Foreign Commerce Committee, appointed this special subcommittee on maritime subsidies to make a study and analysis of construction-differential and operating-differential subsidies in the maritime field.

In a letter to Secretary Weeks of the Department of Commerce, under date of April 24, 1953, I attempted to outline, in broad fashion, the scope of our inquiry. Within the area covered in our letter to Mr. Weeks, we wrote, also, to Secretary Wilson of the Defense Department, Secretary Dulles of the Department of State, and the Honorable Harold Stassen, Director of the Mutual Security Agency, to request their respective views on the aspects of merchant shipping with which they are most vitally concerned and interested. Before these studies are over, we will want to have the views of other Government agencies such as the Treasury Department, the Comptroller General, and others, when the appropriate times arrive.

We wrote, first, to the above-mentioned Government agencies because of the apparent fact that the United States must have a merchant marine to meet its essential potential national-defense needs and carry its essential commerce. Therefore, we want the departments of the Government which are concerned with these problems to tell us how they view the national needs from their standpoint.

For years, representatives of the shipping and shipbuilding industries have been proclaiming to Congress the importance to the national defense and our national economic policy of a healthy maritime in-

dustry. But we must have more than their testimony to convince the Congress that such a merchant marine must receive support in the form of financial aid. Therefore, the burden must fall on the military experts—the Department of Defense—to tell the extent to which a merchant marine and complementary industries exist in peacetime for war or emergency utilization and expansion; and the burden is on the economic experts of the Government—the Departments of Commerce, State, Treasury, and MSA—to tell us the national importance of a merchant marine for the carriage of essential commerce.

We must therefore know why and to what extent we, as a Nation, need a merchant marine before we can evaluate the degree to which we should provide support for its survival over and above the returns of compensatory operation under today's complex conditions in both the foreign and domestic trades.

In furtherance of the foregoing, on May 14, 1953, this subcommittee had an executive hearing with representatives of the Departments of Defense, Commerce, State, and the Mutual Security Agency. It was an executive rather than a public hearing, because we wanted to give the Government representatives a full and complete opportunity to "let their hair down"—be as informal as they wished, and, generally, to allow us to consider, together, the nature of the problems for which we, the executive and the legislative, are charged with the duty of trying to solve. I believe that hearing was highly successful, and served the purpose of providing us with the basis for this and our future hearings, which will be public.

Today, we will want to confine testimony to the general matter of the size and composition of the merchant marine, as it is, as it ought to be, for defense and commerce requirements. We believe that that is the No. 1 problem in our study of the subsidy question. In this phase of our studies, we hope to hear not only from the Government, through Defense and Commerce witnesses, but also from all segments of the industry—the operators, shipbuilders, labor, marine underwriters, and others—and also from those who sometimes are overlooked in the consideration of shipping legislation, the shippers.

We intend to make our studies as comprehensive as necessary before we propose or consider any specific legislation.

Today we are privileged to hear testimony from the Defense Department on the subject of the size and composition of the merchant marine, viewed in the light of the requirements of our security in time of war or national emergency. I have great hopes and every reason to believe that, for the first time in many years, we will hear tangible estimates and constructive suggestions, from those best qualified to know, as to the constitution of our "fourth arm of defense."

Senator Pastore, we are happy to have you aboard.

Senator PASTORE. I am happy to be here.

Senator POTTER. Admiral Wilson, are you ready to testify? Admiral Wilson is the deputy commander and chief of staff of the Military Sea Transportation Service, Department of Defense.

Admiral, I wish to thank you for the cooperation you have given the committee in working with our counsel and myself in preparation for the hearings today and the hearings that will follow.

We would be glad to have you make your statement as to the defense needs of the merchant marine, as viewed from the Department of Defense.

## STATEMENT OF REAR ADM. R. E. WILSON, UNITED STATES NAVY, DEPUTY COMMANDER AND CHIEF OF STAFF, MILITARY SEA TRANSPORTATION SERVICE

Admiral WILSON. Thank you, Senator. I am very grateful of the opportunity to come before you, as you say, and "let my hair down."

I am here as a representative of the Department of Defense. I would like to say, before going into my formal statement, that some of the facts and figures in this formal statement are at some variance with the data which I prepared and gave to this committee in executive session a short time ago.

The changes in those facts and figures represent refinements of the problem which we have been able to accomplish since that last meeting, and should, in no sense, be considered as anything in conflict with that, other than of the nature of refinements.

Senator POTTER. This has been under serious discussion, and as your thinking progressed on it, there have been some changes?

Admiral WILSON. That is correct, sir.

The strategic importance of ocean transportation in a future war supports the concept that the United States-controlled merchant fleet should be of such a composition as to adequately meet the planned requirements of the Department of Defense by providing modern, high-speed ocean transportation with suitable self-loading and unloading facilities and an ability to be utilized in any port as required.

The Department of Defense is concerned about the lack of a comprehensive merchant ship construction program which would provide for the orderly replacement of the vast proportion of our merchant fleet which is fast approaching obsolescence.

In the past, upon the sudden outbreak of a war, it has been necessary to hastily improvise a shipbuilding program which was not only costly, but resulted in an accumulation of ships so quickly designed and constructed as to be limited, in an unfavorable manner, in their capability to meet modern military needs.

It is clearly recognized that the special characteristics of merchant ships which are desired for ultimate military use must, of necessity, be modified and limited to conform to acceptable requirements for successful commercial enterprise. Within the limits imposed by peacetime commercial utilization, and an acceptable burden on the national economy, it is strongly recommended that the Congress support a phased merchant ship construction program of those ships required (1) to bring the active operating United States merchant fleet possessing acceptable defense characteristics up to the numerical limits required to meet the initial needs of the Department of Defense——

Senator PASTORE. May I interrupt you at this point? Isn't it a fact that Congress, or the Senate, just recently did the opposite? It deleted the subsidies to the building of several ships?

Admiral WILSON. I believe that is correct, Senator.

Senator PASTORE. Only within a matter of weeks?

Admiral WILSON. Yes; as regards the subsidy feature.

I will continue: (2) Provide the means for the orderly replacement of existing operating tonnage now rapidly approaching obsolescence. It is further recommended that, either as a part of the program recommended above, or supplementary thereto, the means be provided for the construction and operation of sufficient prototype vessels

which can serve as the basis for emergency vessel-construction programs upon the outbreak of a war.

It is considered appropriate to also recommend that the Congress place the maximum reliance on United States-flag merchant shipping to support the defense of the United States.

It is important to note that, while the total national-defense fleet (active and reserve) is deficient only to a minor degree to meet initial defense requirements from a quantitative point of view, there is a serious deficiency from a qualitative point of view. Of special reference is the fact that there are 1,713 Liberty ships, of which 242 are active and 1,471 laid up. These are considered too slow for modern military needs. In addition, there are 57 T–2 tankers (exclusive of those in Navy custody) which have reached more than one-half their life expectancy. These also should be replaced.

Senator POTTER. Admiral, would you yield there? I recall the debate on the floor of the Senate when some challenge of the life expectancy of 20 years of a vessel arose. Do you believe the 20-year life expectancy of a vessel is a true life expectancy?

Admiral WILSON. I believe it is a reasonably accurate figure, Senator, particularly in regard to tankers. We are already experiencing, in our own fleet, very expensive repairs of these T–2 tankers, which have been in service approximately 10 years. You arrive at a point, certainly, beyond 20 years where the expenditure is not any longer justified to maintain those ships in active service.

Senator POTTER. Do you feel the 20–year life expectancy of a ship is realistic?

Admiral WILSON. Yes.

Mr. DREWRY. Why do you mention specifically tankers, Admiral?

Admiral WILSON. Primarily because of corrosion that you run into in tankers. The deterioration of the hull structure is more rapid, I believe, in tankers, than in any other type of ship.

Mr. DREWRY. Would it be, too, that tankers are in active use more of the time than a dry-cargo ship because of the loading and unloading facilities, so that it has lived a faster life by the time it is 20 years old?

Admiral WILSON. I think that is an element.

Mr. DREWRY. Are the repairs you are experiencing mostly to the hull or machinery?

Admiral WILSON. I am referring to the structural members of the hull, the bulkheads between tanks, and the general longitudinal strength members of the hulls themselves.

Senator PASTORE. Could you pinpoint that statement? You say, "These are considered too slow for modern military needs." How fast are they and how fast should they be to meet the requirements?

Admiral WILSON. The 1,700 Liberty ships, Senator, that I referred to, have an optimum speed of 10 knots with reciprocating engines. Later on in my statement I will emphasize the fact, from a defense point of view, that we believe cargo ships should have a minimum of 18 knots. So they are almost half of what should be built into new ships.

Mr. DREWRY. This was brought out in the executive hearing. I would like to ask the question again. In connection with these 57 T–2's, is it your thought that because of the expense of maintaining them, and perhaps their obsolescence, in the light of modern military

needs, they should be scrapped, rather than headed for the reserve fleet?

Admiral WILSON. I don't think—it is my firm conviction, as a matter of fact—you can consider scrapping vessels until you have reached the quantitative numbers required. Beyond that point, I think a scrapping program would be a very excellent basis on which to proceed.

Mr. DREWRY. At the outset, as far as these 57 ships are concerned, it would appear the soundest procedure would be to replace them with more modern ships, but keep them?

Admiral WILSON. Withdraw them from service and keep them in a reserve fleet, yes, sir.

*Recommended size of the active operating United States merchant fleet*

(*a*) Numbers by category: The Department of Defense, recognizing that the requirements for United States merchant shipping are subject to review and modification in the light of changing strategic situations, considers that in accordance with the latest approved plans the active operating United States merchant marine (exclusive of merchant-type vessels in Navy custody) should be comprised, as a minimum, of the following numbers of vessels:

(1) Dry cargo ships: There is a requirement for 13,899,600 dead-weight tons. This corresponds to a requirement for 1,287 notional dry-cargo ships.

Senator POTTER. Would you explain what you mean by "notional"?

Admiral WILSON. That follows shortly, Senator, in the statement.

(2) Troop transports: There is a requirement for 250,900 gross tons. This corresponds to a requirement for 26 notional troopships.

(3) Tankers: There is a requirement for 7,062,000 dead-weight tons. This corresponds to a requirement for 428 notional tankers.

Notional tankers are ships having a capacity of 100,000 barrels of fuel oil, or 115,000 barrels of diesel, or 130,000 barrels of gasoline, with a dead-weight tonnage of 16,500 at a speed of 15 knots.

Notional troopships are considered to be those that have a capacity for 2,400 troops at a speed of 15 knots.

Notional cargo ships are those having a dead-weight tonnage capacity of 10,800 at 10 knots.

I would like to say, here, the term "notional ships" is nothing, more or less, than a unit of measure. It has no significance as regards the type of ship we are recommending. It is a means by which you convert tonnage requirements to a unit of measurement in terms of ships

Senator PASTORE. This is what we need in addition to what we already have, in order to meet the standards you set?

Admiral WILSON. This is in addition.

Senator POTTER. In addition to what we have today?

Admiral WILSON. No, this is the total. I am sorry. This is the total needed initially.

Senator PASTORE. Are you going to give us a comparative figure to show what we have——

Admiral WILSON. I will get to that shortly.

Senator POTTER. Is there any special connotation to "notional"?

Admiral WILSON. It is a planning term, Senator, that has been used very widely in military and maritime planning. It is used merely as a unit of measure.

Minimum speeds desired for military purposes:

(1) *Dry cargo ships.*—Dry cargo ships should have at least 18 knots sustained speed.

(2) *Troop transports.*—Troopships should have a sustained speed of 22 knots, or greater.

(3) *Tankers.*—Tankers should have a sustained speed of 20 knots, or greater.

Senator POTTER. Admiral, why are your speed requirements different here than when you were explaining your notional requirements?

Admiral WILSON. The only difference, I believe, is in cargo ships. After a further review of that situation with the Maritime Administration and Navy Planning, we raised that speed 1 knot, as being something that was readily achievable and much more acceptable from a military point of view.

The Department of Defense considers that these speeds are highly desirable from a military point of view and represent a target to shoot for. Some compromise may prove necessary, however, in order to prevent a construction program, otherwise acceptable, from being finally blocked by standards which are not consistent with production capacity and economic feasibility.

Senator POTTER. Would you care to elaborate on that a little more, Admiral, as to just what you mean by that statement?

Admiral WILSON. In order to obtain a speed that is in excess of 18, or any of these standards, it is necessary under marine engineering, to go to high-temperature steam, the utilization of special metals, and other features of design which are not only expensive but, under mass production conditions, would be very hard to produce rapidly on a large scale.

I think the best example of that is when the Liberty ships were designed, the foundations were built into the ships for steam turbines of a rather modest type, but when they got into production, those steam turbines simply could not be had. The demand of the Navy, and other sources, for machinery of that type was so great that the Liberty ships were finally fitted with reciprocating engines, which was a 30-year backward step, as far as marine engineering was concerned.

Senator PASTORE. You would be inclined to adhere to the orthodox production in order not to interfere with the program?

Admiral WILSON. If necessary, we would be prepared to compromise if that was absolutely necessary, recognizing that any compromise made in these speeds would add to the hazards and the jeopardy of the shipping under wartime shipping. There is also another feature, in that these speeds, as I have defined here, are not currently acceptable from a commercial point of view.

Senator POTTER. The cost to operate?

Admiral WILSON. Fuel consumption, primarily.

Mr. DREWRY. You stated in increasing the target speed for dry cargo ships that you consulted with Maritime and decided they could bring it up one more knot. Was the industry also consulted?

Admiral WILSON. No; the industry has not been consulted on these speeds. These are speeds from a military point of view. As I say, the commercial utilization of ships of this type, even if they were built to those speeds, commercially they would probably be used at lesser speeds.

I think probably in the new type of Mariners, now, which have a speed of 19 knots, it is doubtful they would be steamed at 19 knots in commercial trade.

Mr. DREWRY. Can they be efficiently operated at lesser speeds?

Admiral WILSON. Yes, I think a speed around 16 knots for those Mariners would be something commercially acceptable.

Senator POTTER. Has there been any desire on the part of the industry to get Mariners?

Admiral WILSON. I think the Maritime Administration would be better qualified than I am to answer that. I think they have had some inquiries, but I am not familiar with the negotiations that have taken place.

*Special characteristics:*

(1) *Dry cargo ships.*—The most practical and useful types of American-flag, general-cargo vessels, both from a commerical and military point of view, appear to be those having the capacity and characteristics of the C–2's and C–3's. However, much is to be desired in the matter of basic ship design and modernization of archaic cargo-handling equipment and methods. The cargo vessel of the future must be so designed and so equipped to load and discharge, using its own gear, in one-half the time now required. At least one hatch of such vessel should be serviced by a "jumbo" boom of 50/60-ton capacity. The deep-loaded draft should not exceed 30 feet. Vessels of the C–2 and C–3 size are considered not only feasible and advantageous for commercial enterprise, but offer excellent utilization and maneuverability characteristics in small ports, beachheads and restricted waters involved in military operations.

Senator POTTER. Admiral, the "jumbo" boom that you refer to is your large boom for handling the exceedingly heavy equipment?

Admiral WILSON. Moderately heavy equipment. From a commercial point of view, it is probably considered as heavy equipment; from our point of view, I cover later a special heavy-lift ship in here that exceeds that. It is approximately the boom that is fitted now on the new Mariners. It doesn't represent a new design at all. It is just a specification which we think should be certainly followed.

Senator POTTER. On all dry-cargo ships?

Admiral WILSON. Yes, sir.

(2) *Troop transports.*—Troopships should have the general characteristics of the P–2 class: Ultimate capacity of approximately 500 cabin spaces and 4,000 troop spaces, with a patient-litter capacity of 250 spaces. Experience gained in the Korean operations and the utilization of existing troopships strongly supports a requirement for this type vessel. The limiting maximum draft should be 30 feet.

(3) *Tankers.*—The recommended general characteristics of tankers most suitable for military purposes are 25,000 dead-weight tons, capable of carrying several types of petroleum products. The limiting maximum draft should be 32 feet. Tankers of larger deadweight tonnage capacity can be utilized to a limited extent, but it is not recommended that the entire replacement of existing tanker tonnage be confined to the so-called supertankers of capacity greatly exceeding 25,000 deadweight tons because their use, in the majority of ports, is limited by their size, draft, and maneuverability.

(4) *Draft.*—The ideal maximum draft of vessels would be 27 feet. It is estimated that vessels drawing not more than 27 feet can be utilized in 85 percent of the ports of Europe. It is also estimated that 97 percent of the total United States-controlled merchant fleet should have, as a practical consideration, a maximum draft of 30 feet. It is considered that the medium-size, moderately-fast vessels are the most desirable compromise between military and commercial characteristics. For instance, although the Mariner-type of vessel possesses many desirable features which can be used to great advantage as military auxiliaries in time of mobilization, its peacetime commercial utilization is yet to be proven.

Department of Defense utilization of United States merchant fleet in peacetime: The number and type of vessels in the active national-defense fleet which can be gainfully employed in the conduct of normal peacetime commerce appears to be a matter which is controlled by the national economy and foreign commerce. It is considered that the Maritime Administration is the appropriate agency to develop firm figures on this subject. However, it can be noted that the Military Sea Transportation Service, since the outbreak of the Korean operations, has utilized, at one specific time, as many as 223 merchant vessels under time charter, 35 vessels under voyage charter, and 141 Government vessels operated by private shipping operators under general agency agreement. This would indicate a minimum of 399 vessels which might have been chartered from the United States commercial shipping industry at one time by the MSTS if the vessels were of suitable characteristics and offered for charter. In addition to utilizing the commercial fleet as indicated above, it is important to note that MSTS ships via the regularly scheduled American-flag commercial berth vessels a large portion of its dry cargo tonnage.

During the 14 months' period from January 1, 1952, to March 1, 1953, an average of 45.6 percent of the total dry-cargo tonnage of the Department of Defense moved overseas from all continental United States ports was handled by this means (berth). However, although the practice of using regularly scheduled berth vessels has certain advantages, such as providing an effective means of moving less-than-shipload lots into the areas where the normal volume of shipments is low and does not require extensive overhead expense to the Government, it also has disadvantages, from a military point of view, because it does not allow the flexibility of movement, diversion and adjustability needed to meet variable and constantly changing military situations. Therefore, the composition of the United States merchant fleet, in peacetime, should comprise vessels of both berth and tramp service, the former providing regularly scheduled sailings, and the latter providing the flexibility required for military needs.

Assumptions used in determining the recommended size of the operating national-defense fleet. The numbers of vessels, by categories, which are recommended in preceding paragraphs as necessary to meet the needs of the Department of Defense upon the outbreak of war are based upon supporting plans of the approved emergency plans of the Joint Chiefs of Staff. Included in the factors which were used in arriving at the size of the operating national-defense fleet were

(1) An estimate of cumulative losses; (2) estimate of civilian, as well as military, requirements; (3) planned activation from reserve fleets during a short initial period of time; (4) the availability of certain military vessels from the United States combatant fleet to meet certain emergency requirements; and (5) the availability of certain non-American-flag merchant vessels considered to be under "effective United States control." It is to be noted that these plans are under constant review and are kept up-to-date in the light of the changing strategic world situation.

Senator POTTER. You mean by your point No. 5, "the availability of certain non-American-flag merchant vessels considered to be under 'effective United States control,'" American vessels under the registry of another country?

Admiral WILSON. That is correct, sir. They are American-owned vessels, owned by American citizens but registered under several foreign countries which by precedent and previous experience have proven they would interpose no objection to the owners of those vessels recalling them and making them fully responsive to the United States' requirements, and even shifting registry back to the United States.

Senator POTTER. Are you including in here ships that might be available for us in case of an emergency, that are owned by citizens of a friendly or allied country, for example, British ships? In time of war or emergency we have in the past more or less had a pooling arrangement for merchant ships. I was wondering if that was included in your defense requirements.

Admiral WILSON. Those have not been included. As I said early in the statement, we proceeded on the basis that we should place maximum reliance for the defense of the United States on United States flag merchant vessels.

Senator POTTER. And the only liberalization you have in that respect would be American ships that would be under, for example, Panamanian flag?

Admiral WILSON. That is correct, sir. There are about six countries, I believe—I may be slightly wrong in that—to which the principle of "effective United States control" applies, Panama, some of the Central American countries, and Liberia.

Senator POTTER. Your point No. 1, as to accumulative losses, are you speaking of military losses?

Admiral WILSON. I am speaking of losses that would be expected, based on experienced factors, in this first short period of a war.

Mr. DREWRY. Admiral, you also used the term, "United States controlled merchant fleet." By that do I understand you mean the United States-flag merchant fleet?

Admiral WILSON. Yes, plus these foreign-registry American-owned ships which are considered to be under effective United States control

Mr. DREWRY. Is there any information available of a nonclassified nature as to what these vessels are, how many, where they are, what types they are, that are under effective United States control?

## STATEMENT OF CAPT. B. J. MULLANEY, ADMINISTRATIVE ASSISTANCE, PLANS AND POLICY, DIRECTOR, PLANS AND POLICY DIVISION

Captain MULLANEY. It has been made in a classified study.

Admiral WILSON. We can supply the total number.

Mr. DREWRY. It would be nice to have for the record, Admiral.

(The following letter was subsequently received for the record:)

DEPARTMENT OF THE NAVY,
MILITARY SEA TRANSPORTATION SERVICE,
*Washington 25, D. C., September 8, 1953.*

Hon. CHARLES E. POTTER,
*United States Senate, Washington 25, D. C.*

MY DEAR SENATOR POTTER: This is in reply to the telephone request made by Mr. John M. Drewry, counsel for the Senate Interstate and Foreign Commerce Committee, in connection with the testimony of Rear Adm. R. E. Wilson, United States Navy, as Department of Defense witness before the committee. With respect to the availability of certain foreign-flag merchant vessels to this Government in the event of an emergency, there were, as of December 31, 1952, a total of 56 foreign-flag dry-cargo ships and 164 foreign-flag tankers considered to be under the "effective control of the United States."

Sincerely yours,

RALPH E. WILSON,
*Rear Admiral, United States Navy,*
*Acting Commander, Military Sea Transportation Service.*

Admiral WILSON. We can supply you the total numbers on that, I am sure.

Desired ship construction of prototypes not currently in existence: The Department of Defense considers it essential to include in the program for merchant-type vessel construction ships with special design features to serve as prototypes for emergency construction programs as follows:

(*a*) A dry-cargo ship having a bale-cube capacity of between 650,000 and 750,000 cubic feet, of which approximately 30,000 cubic feet should be reefer space. With a view toward eliminating wing-deck stowage, the hatches should be as large as possible in keeping with accepted design principles, the hatch covers to fold accordion-like and be hydraulically actuated (or other type quick opening and closing hatch covers with suitable mechanically operated systems). The conventional booms and winches should be replaced by hydraulic cranes of 15-ton capacity. At least one hatch should be served by a 60-ton jumbo boom in addition to other cargo-handling gear. The speed of the vessel should be the highest compatible with the design and economic operation but not less than 18 knots. Such a vessel should be capable of loading or discharging in 2 weather-working days of 2 10-hour shifts each.

Senator POTTER. Do we have any vessels like that today?

Admiral WILSON. No, sir, not that completely meet those specifications.

Mr. DREWRY. Are there any of these characteristics available that can be applied?

Admiral WILSON. Yes, they are readily available. It is a matter of slight modifications of design and application to a specific ship.

Mr. DREWRY. This prototype dry-cargo ship, what is that in terms of dead-weight tonnage, "650,000 cubic feet"?

Admiral WILSON. I would have to supply that for you, Mr. Drewry. It is somewhere around 12,000 to 14,000 dead-weight tons.

Mr. DREWRY. Is it larger than a C–2, for instance?

Admiral WILSON. It is close, I think, to a C–3.

The second prototype: A moderately high-speed tanker, having characteristics similar to the Maritime Administration T–5 design.

Mr. DREWRY. Could you elaborate a little bit on the T–5 design; how that compares with existing types as to speed and size?

Admiral WILSON. I believe it is a ship of about 20 knots, with good compartmentation, cofferdamming to permit the carriage of several types of petroleum products. This particular ship has considerable appeal to the Navy as being suitable as a compromise to augment the Navy's oilers that service the fleet at sea. We feel we could make direct application of this T–5 design to that specific purpose.

Senator POTTER. What do you mean, "as a compromise"?

Admiral WILSON. A Navy oiler is a very special breed, Senator, to be properly designed. In the first place, there is no commercial tanker that is economically feasible, that is, twin screw. One torpedo hit, well aimed, will completely cripple a commercial-type ship. There are many other features that are designed into a properly designed Navy oiler that you would not find the counterpart of in any commercial ship. Recognizing realistically that it is highly improbable we would ever have enough Navy oilers, designed as such, this T–5 represents the best answer we have seen as a supplement to those Navy oilers.

Senator POTTER. A commercial-type tanker for military purposes?

Admiral WILSON. This is commercially feasible. A navy oiler unquestionably would not be.

Mr. DREWRY. Is this the prototype that Commerce had in mind in its original budget?

Admiral WILSON. It is the current design that they are considering now, yes.

Mr. DREWRY. Is it a type which the industry has indicated a desire for or a willingness to accept?

Admiral WILSON. I believe that is correct. I would ask you to verify that with the Maritime Administration when they come up. I believe it is correct. It does have a commercial appeal.

Mr. DREWRY. Is there anything so unique about it as to require a special prototype?

Admiral WILSON. Yes, I think so. It is of smaller capacity, for example, than the trend in American-flag tankers now. Wage scales being what they are, the trend in American-flag tankers is to build them as large as possible. Generally speaking, that is true. With the same crew they can carry twice the volume of oil on a point-to-point basis, to well-established terminals, where water depths and turn basins, and all, are provided.

Mr. DREWRY. Would you contemplate that the certain features of the prototype that are adopted especially for Navy use would be handled as national defense features if they were commercially acquired?

Admiral WILSON. It is possible that the speed feature would be handled in national defense. I don't think there is anything else in these ships, basically, which would fall under that.

Mr. DREWRY. One more thought on that. For several years there has been a bill introduced on the House side which would authorize the Navy to enter into a long-term chartering program of tankers, similar to a practice which is carried out commercially to some extent, of contracting with the operator of the oil company before the vessel is actually constructed on a 10- or 20-year basis. Have you any thoughts on that as to whether that would be an appropriate way to attack this problem, maybe to replace your 57 T–2's, for instance?

Admiral WILSON. I think it would be quite an appropriate method, within limits. There is a limit as to how many ships we could contract for, because entering into a long-term contract on the part of the Government requires a considerable amount of crystal-ball gazing, for example.

We have to be reasonably sure that 8 or 10 years in the future we will have the same demand for the transportation of petroleum that we have now.

Mr. DREWRY. Would that method perhaps be a way to approach the problem of some of these other prototypes which have not been commercially tried, which are, of course, expensive to build, so that the Department of Defense will take the risk, as it were, in the development of the design, not on any extensive basis but on individual prototypes?

Admiral WILSON. I think it is a method that should well be explored because it offers many possibilities within the limits of assurance on the part of a Government contracting officer that the article he is contracting for he will really need at the time it comes into being That is the one fly in the ointment, you might say.

You are asking a Government contracting officer to contract for something that isn't even in being at the moment he signs the contracts. You are asking him to contract for it over a long period of time, through several administrations, through several sessions of the Congress, through perhaps a cycle in international affairs. You can readily get into a first-class crystal-ball operation in an arrangement of that sort.

Mr. DREWRY. But you are in a crystal-ball operation in recommending these types, anyway, so you wouldn't be any worse off under that——

Admiral WILSON. I don't feel we are in the crystal-ball state in asking for prototypes, no. When you base the whole thing on the Government's sponsoring or financing it on the basis of a contract for continued employment over a long period of time, which is what I understand you are proposing, that it be privately financed, based on an assurance of a considerable period of time that the Government will employ the vessel, and thereby generate a reasonable return on the private financing involved, I think it is one we should proceed with, with a reasonable amount of caution.

Mr. DREWRY. Would the Department of Defense build these prototypes itself?

Admiral WILSON. No, that is not intended.

Mr. DREWRY. Or is your thought that Commerce——

Admiral WILSON. The ships that I am speaking of here, the Department of Defense would not build any of these ships.

(*c*) A "roll-on, roll-off" vehicle cargo ship capable of attaining speed of at least 20 knots, with at least a one-compartment standard

for flotation and stability, designed to permit tracked and wheeled vehicles to be moved on and off the ships rapidly under their own power. The desirable features of the movement of certain types of commercial cargo by the container-van method and the increasing use of this system for truck trailers by commercial shipping companies indicate the need for the development of a prototype merchant ship of this special design, potentially available for special military uses in time of war such as the transport of wheeled and tracked vehicles.

Senator POTTER. Is that the type that is generally referred to as the sea-train type?

Admiral WILSON. It would be a similar design to the sea-train type, with the one exception, that they ply only between well-established and specially-equipped terminals. Most of the facilities for loading and unloading for the sea train is provided by the terminal. This would have to include certain of those features in the construction of the ship itself to be of full appeal for military uses. We could not guarantee suitably equipped terminals in the places we might have to go with this ship.

Senator POTTER. I would assume a ship like that would be very vulnerable if it were torpedoed.

Admiral WILSON. We have injected into this specification here, if you want to call it that, a standard for flotation and stability which is similar to that obtaining in any cargo ship and is beyond that existing in the sea trains, or some of the designs that are considered for such vessels.

As the fourth type, a reefer ship of 20-knots speed, having a cruising range of 15,000 miles; cargo space to include 80,000 cubic feet reefer and 40,000 cubic feet dry.

Senator POTTER. What is a "reefer ship"?

Admiral WILSON. It is a ship that carries refrigerated products.

Senator POTTER. Not one that is carrying marihuana?

Admiral WILSON. No. We always strive to avoid that, Senator.

Mr. DREWRY. Admiral, in regard to the reefer, didn't I read there were recent bids on two reefer ships for the Navy for the Department of Defense?

Admiral WILSON. The Navy is currently planning the construction of a reefer ship for direct supply of the fleet at sea.

Mr. DREWRY. That would be distinguished——

Admiral WILSON. That, again, is a very special type ship which the Navy only can build, in my opinion.

Mr. DREWRY. This would not be——

Admiral WILSON. No, this is a smaller ship than the existing R–2 type which was built during the war, which we found to be quite large and difficult to operate in the supply of perishables. It is somewhat larger than the N–3's. It is an inbetween size, a relatively small, fast, long-range reefer ship.

Mr. DREWRY. Is the R–2 a modification of the C1–MAV1 design?

Admiral WILSON. No; it is considerably larger than that.

As the fifth type: A specially designed "container cargo" ship to carry containerized and prepalletized cargoes. The ship should be so constructed that horizontal movement of such cargoes will be entirely eliminated during the loading process. The speed of the vessel should

be not less than 18 knots. The ship should be self-sustaining in relation to handling this type of special cargo.

Senator POTTER. What kind of cargo would that be?

Admiral WILSON. It can be general cargo, Senator, of many types. This is a development which is taking place currently which has great promise from a military logistic point of view, and also considerable promise from a commercial point of view, in which you have lightweight metal containers of relatively large size and put these smaller packages and boxes in the containers and lift them in and lift them out as a package.

Mr. DREWRY. Has any design work been done by the Navy Department or Commerce on this particular type ship?

Admiral WILSON. Not to any great extent yet. I think the ship visualized is something generally comparable to an ore ship, actually, where you have many holds or compartments in perhaps a C–4 type, with the engines aft, each compartment or hold serviced by its own king posts or boom.

The loading process consists of a vertical drop and a vertical lift out of those several compartments, rapid handling.

Mr. DREWRY. That is what you mean by horizontal movement within the ship?

Admiral WILSON. Yes.

Senator POTTER. Drop it in place——

Admiral WILSON. To eliminate the necessity of shoving these heavy containers into the wing spaces.

There will also be a need for a limited number of heavy-lift ships equipped with oversized hatches and cargo booms capable of lifting up to 150 tons. MSTS is, at the present time, engaged in the conversion of two of its C–4 cargo ships to meet this specification, and it is contemplated that further conversions of a limited number of Government-owned ships will be programed for future accomplishment. These conversions may suffice to develop prototypes for wartime construction. It is important to note that there are no American-flag merchant ships in existence meeting this specification at the present time. Any encouragement that could be given to the private construction of ships meeting these general specifications would be appropriate.

Senator POTTER. Isn't it true, Admiral, that we have had to go to some of our allied friends for this type of ship?

Admiral WILSON. That is correct.

Senator POTTER. For our Korean operation?

Admiral WILSON. Yes; we have a current requirement in the Far East for a limited number of these ships. We have met that requirement throughout by the time charter of foreign-flag ships to remain on station in the Far East.

Senator POTTER. How many ships do we have chartered from foreign countries with this heavy boom?

Admiral WILSON. We have 4 actually now, 1 of which is a United Nations contribution by one of the allies, and the other 3 are straight charter.

Mr. DREWRY. Admiral, how many heavy-lift ships are there in the world?

Admiral WILSON. I think probably somewhere in the nature of 20 total, meeting this general requirement.

Mr. DREWRY. They find profitable commercial employment?

Admiral WILSON. Well, the fact that 20 are in operation and only 4 in our charter would indicate that. These ships can be used in general-cargo trade, somewhat less economically, I am sure, but nevertheless, they can be used in straight cargo.

Senator POTTER. With these heavy booms, you have to have, I assume, a different construction of the ship to provide for the boom; is that so?

Admiral WILSON. Yes; you would have to enlarge the hatches to accommodate the large articles. Of course, from a military point of view they are mostly locomotives, tanks, and things of that sort. You need the hatch space. You need stability features in the ship when you swing that much weight over the side.

Of course, the heavy-lift gear itself, including the winches and all the rigging, add to it.

Senator POTTER. Would you need a boom like this to load or unload a Patton tank, for example?

Admiral WILSON. You would be very close to needing it. In present and contemplated design of military tanks, you would strain and probably exceed this "jumbo" type that I have referred to. In locomotives, you definitely do need them.

Mr. DREWRY. Can you think of any possibility of there being a real commercial utilization of this type ship under the American flag?

Admiral WILSON. Well, I am sure it would be competitive. I refer, again, to the fact that there are under foreign flags some 15 of these ships operating.

Mr. DREWRY. In what service do they perform, in locomotive carriage?

Admiral WILSON. Locomotives are the important items, yes.

Senator POTTER. I would assume you would have heavy mining equipment, for example, and things of that kind.

Admiral WILSON. I am sure there are other movements in commerce which would require that on a specialized basis. The field is completely dominated by foreign-flag shipping at the moment.

Recommended merchant-ship-construction program: A joint analysis by representatives of the Maritime Administration and the Navy Department of the total civilian and military requirements for merchant-type shipping upon the outbreak of war, compared with the current capability of the United States active merchant fleet, has been made. In terms of the general types of ships recommended herein, this analysis indicates a deficiency in actual ships as follows:

It is important to note at this point I am talking about actual ships, and we have left the realm of measurement of notional ships.

Senator POTTER. This includes ships in the laid-up fleet?

Admiral WILSON. No; this includes the active fleet, plus those other planning factors that I mentioned earlier, the estimated activation which could be accomplished from the Reserve fleet in the first initial short period, the accumulative losses, the ships under effective United States control, and all those other planning assumptions that I referred to previously.

Senator POTTER. This is a deficiency today, and not 10 years——

Admiral WILSON. This is as of December 31 inventory.

Senator SMATHERS. What is the normal life expectancy of these ordinary cargo ships?

Admiral WILSON. As an opinion, I would say 20 to 25 years. I think that is probably a little optimistic. There are many factors that would enter into it, depending on the type of cargo they have hauled, the general wear and tear that has taken place, the degree of maintenance and upkeep that has been exercised. I think 20 to 25 years would be a very reasonable figure.

Mr. DREWRY. That is the physical life expectancy of the ship, aside from the question of obsolescence?

Admiral WILSON. Yes, considering a ship that has been active that long.

In terms of the general type of ships recommended herein, this analysis indicates a deficiency in actual ships as follows:

(*a*) One hundred and sixty-five cargo ships. (The approved program for the construction of the remaining 28 Mariners has been considered.)

(*b*) Six passenger ships equivalent to the P–2 class.

(*c*) Forty-three tankers equivalent to the T–5 class.

Senator POTTER. Your P–2 class is not the *Constitution* or *United States* type?

Admiral WILSON. No; it is basically a military design.

Senator SMATHERS. Do you have any charts to show the size of these ships, the P–2 and the T–5?

Admiral WILSON. We have some pictures here. Some of these ships are not currently in existence.

Senator POTTER. Is that normally considered your combination ship, your passenger and cargo?

Admiral WILSON. No. The troopships cannot be counted on for any sizable cargo over and above the equipment that moves with the troops and has to move with the tropos.

Senator SMATHERS. What is your designation of a troopship, T–5?

Admiral WILSON. The Navy designation is the symbol P.

Senator SMATHERS. What are those designations? P is a troopship. What is T?

Admiral WILSON. You get into a complicated field there. The Maritime Administration has one designation and the Navy fleet has another.

Senator SMATHERS. All designed to confuse legislators.

Admiral WILSON. And for other purposes, also, sir.

Senator SMATHERS. There is no secret about it; is there?

Admiral WILSON. No. It is a convenience in labeling and designation which has grown up. Perhaps there hasn't been sufficient coordination between the two agencies.

Senator SMATHERS. What are your designations, just for my own information? Does P stand for passenger ships or troopships?

Admiral WILSON. The Navy has two designations for passenger ships, AP. The letter A always signifies, in the Navy designation, "auxiliary" as contrasted with a combatant ship. AP is a transport and APA is an attack transport, specially fitted with amphibious boats, and, generally speaking, a smaller ship than an AP. Those are the two classifications of passenger ships.

As regards cargo, an AK is a general-cargo ship, and a AKA is an attack cargo ship.

In tankers, we use the designation AO, the Navy does, for oilers. The Maritime's designations generally are C for cargo, P for passen-

gers, and T for tankers, and the number following signifies the size and the general design. For instance, you could have a C–2, C–3, or C–4 cargo, and a P–1, P–2, and so on in passenger.

Senator POTTER. The size increases as the number increases?

Admiral WILSON. Yes, generally speaking. The latest Mariner is a C–4, larger than the previous C–4's. I am afraid that is a very quick treatment of a somewhat complicated matter.

Senator SMATHERS. The airlines have DC–4's, DC–5's, and DC–6's. They are newer and more modern, and ordinarily bigger. It would seem the Maritime Administration sort of follows that same designation.

Admiral WILSON. That is correct. This is the picture of our latest troopship. This is the *Geiger* class. Here is a typical P–2. It is a 2-stack transport of about 4,000-troop capacity.

Senator POTTER. What ship today would fall in that classification? Do we have any?

Admiral WILSON. You mean, in commercial?

Senator POTTER. Commercial fleet.

Admiral WILSON. The *Gordon* and the *LaGuardia* are both P–2's. They are both laid up now. They are slightly smaller than the *Constitution* and the *Independence*.

Senator POTTER. You haven't recommended a need for the superliner?

Admirl WILSON. As I expressed myself on that before, Senator, we recognize the *United States* as a most valuable asset to the defense of the United States. Her capacity and her speed, particularly, we feel to be most important. But for a construction program, we would not recommend an unbalance in that. I think we could well absorb another *United States*, perhaps two more. But we wouldn't want to see the entire passenger ship construction program tied up in ships that size.

Senator POTTER. You recall during the war we chartered the *Queen Mary*. I think we paid about $100 million for the use of that ship during World War II.

Admiral WILSON. It was based on a head basis, per passenger basis. It was an extremely useful but expensive proposition, as far as the United States was concerned.

Senator POTTER. You are not recommending any more superliners at this time. You say one or two might be desirable, but that is not part of your recommendation, is it?

Admiral WILSON. We feel a better procedure would be to bring this deficiency, which is actually six ships, up by a more——

Senator POTTER. You would rather have 6 of these other than 2 more of the superliners?

Admiral WILSON. Yes, sir.

Mr. DREWRY. How many notional troopships would the *United States* constitute?

Admiral WILSON. Four and a half, ultimate.

Mr. DREWRY. You spoke of the Liberty design as being the notional dry-cargo vessel, and the T–2 as the notional tanker, and the P–2 as the notional troopship.

Senator SMATHERS. What is that terminology?

Senator POTTER. It is a term of measurement they use. They talk of so many notional ships. They mentioned the fact the big

superliner would be 4½ notional ship requirements. It is a unit of measurement.

Senator SMATHERS. I am not sure that I understand it.

Admiral WILSON. It means to convert total passengers or total cargo into ships. Once you do that, once you establish that unit of measurement, then you can refer any specific ship to a so-called notional and get a ratio immediately.

Mr. DREWRY. In your reference to the deficiency, you speak not of the P–2's as notional, but as a class in which you are deficient. Is it your thought that this deficiency should be made up by construction of vessels of the P–2 class?

Admiral WILSON. Yes, definitely. This refers to actual ships here. It so happens that the notional, in the case of transports, is a P–2.

Mr. DREWRY. That wouldn't satisfy——

Admiral WILSON. It does not happen to be a P–2 either. The notional is 2,400 troops.

Mr. DREWRY. Carrying out the program that was projected for the 2 passenger vessels for Moore-McCormack and the 2 for Grace wouldn't contribute toward overcoming this deficiency?

Admiral WILSON. Yes; very definitely.

Mr. DREWRY. They are not of the P–2 class, are they?

Admiral WILSON. You are approaching P–2 characteristics. You take that in broad terms. We certainly wouldn't insist on every detail of the P–2 design. What I was indicating was the relative magnitude as to size and speed, and so on.

Mr. DREWRY. Would those four ships make up the deficiency which you know of?

Admiral WILSON. I am not familiar with the design of those four, as it is now proposed. I would think they would come very close to it.

Mr. DREWRY. Has the Navy Department approved the plans and specifications for those four?

Admiral WILSON. I am not able to say whether they have or not. I don't know whether they have progressed far enough for the Navy to pass on the plans and specifications.

Senator SMATHERS. Are they being built now, the four you are talking about?

Admiral WILSON. No; they are being considered.

Senator SMATHERS. When does the Navy enter into the picture? Does the keel have to be laid?

Admiral WILSON. No. The plans are presented to the Navy for comment and to judge the national defense features while they are still very definite plans.

Senator SMATHERS. That is for every ship that is built under this subsidy program?

Admiral WILSON. Yes.

Senator POTTER. These four ships have been approved by the Maritime Commission as being eligible for a construction subsidy, but, as you recall, Senator Smathers, they knocked it out in the Appropriations Committee.

Admiral WILSON. If they have progressed to that stage, Senator, I am not familiar with those details. If they have progressed to that stage, I think it is a reasonable assumption to say that the Navy has approved them. But the Bureau of Ships of the Navy Department would be the agency that would do that.

Senator POTTER. However, as I understand, these ships were to replace other obsolete ships. I don't know whether you would be gaining anymore——

Admiral WILSON. You would be if you laid up those obsolete ships in the fleet. If the Maritime Administration took custody of those ships and laid them up as part of the reserve fleet, it would be a gain.

Mr. DREWRY. This discussion of deficiency takes into account the vessels in the reserve fleet?

Admiral WILSON. To the extent only that you can activate those vessels in this first short period.

Senator POTTER. A majority of our ships in the reserve fleet are practically so obsolete they would be useless in the next war?

Admiral WILSON. That may be true in some passenger ships. The big bulk of the reserve fleet is in these Liberty ships, which we have activated in limited numbers.

Senator POTTER. They are pretty slow, aren't they?

Admiral WILSON. Ten knots.

Senator SMATHERS. How long can you keep a ship inactivated, laid up, before it actually deteriorates, or does it deteriorate at all?

Admiral WILSON. They do deteriorate. It depends on how much money you are willing to spend to deactivate the ship. The Navy's program of mothballing is quite expensive and very effective. The ships probably can remain in the inactive fleet, as a guess, or estimate, I would say, 20 or 30 years. Probably their design capabilities——

Senator SMATHERS. And then still be almost as good as you put them in?

Admiral WILSON. That is correct.

Senator POTTER. A lot of your obsolescence is due to the fact that your military requirements outdate the requirement at the time the ship was constructed?

Admiral WILSON. That is correct. That would be more true in the case of combatant ships than in the maritime ships. The Maritime's layup program is reasonably effective and, of course, much cheaper than that used by the Navy for their combatant ships.

On the occasion of Korea, a sizable number of those ships were broken out and they were found to be in pretty acceptable condition. They had been laid up, some of them, 4 or 5 years at the time we broke them out. I think beyond probably 10 years, you would expect quite expensive repairs upon activation.

Senator POTTER. Don't we have this one big danger facing us, Admiral, that the vast majority of our ships were war-constructed ships and we will be faced here in the 1960's with a block-obselescence problem of all our ships becoming obsolete at about the same time? It will present quite a problem, either if we wait until obsolescence comes on us of mass producing ships again, or by a gradual buildup to take care of the obsolescence problem as we come into it.

Admiral WILSON. I think you will always be confronted under conditions of war, Senator, with a problem of mass production. The very nature of the change of pace or requirements between what is commercially feasible and the enormous demands of war would just automatically put you in that position.

But it is true that the reserve fleet, and to a very large extent the active fleet, is rapidly approaching obsolescence. Of course, there is a limit to how long you can keep the reserve fleet in that status.

Senator POTTER. Didn't we experience the situation after World War I, when the obsolescence set in, that rather than replace the ships our merchant marine practically vanished?

Admiral WILSON. It went down to a very low ebb, of course. The Merchant Marine Act of 1936 was intended to improve that situation.

Senator SMATHERS. Are there any ships now being built by private companies without the subsidy feature?

Admiral WILSON. With the exception of tankers, I don't believe there is a single ship being built in American yards.

Senator SMATHERS. Not a single passenger ship of the kind that would be suitable in time of war is being built at the present time?

Admiral WILSON. Specifically, as regards passenger ships, the answer is definitely no, there are none.

Senator SMATHERS. Are there any cargo ships being built which would be used?

Admiral WILSON. Only the Mariner class of ships which are built by the Maritime Administration, intended for sale at an adjusted price to private enterprise.

Senator POTTER. Actually, that is the same as the construction subsidy?

Admiral WILSON. Yes, it is the same, exactly.

Senator SMATHERS. Are any private companies building any tankers today without benefit of subsidy?

Admiral WILSON. Yes, there are some tankers being built, a limited number, however.

Senator SMATHERS. Without the subsidy program, it appears no passenger ships would be built.

Admiral WILSON. I think that is a correct statement. I think the Maritime Administration would be in a better position to answer that than I am. But that is my definite understanding.

Senator SMATHERS. I am seeking information. I do not know anything about it. I am just trying to find out how much Government incentive and participation it takes to get some ships built. As you say, there are no passenger ships, no cargo ships to your knowledge being built today.

Admiral WILSON. That is right, sir, except for the Mariner class.

Senator SMATHERS. Which I understand are being built under the jurisdiction of the Maritime Administration and are later to be sold at an adjusted price.

Admiral WILSON. That is correct.

Senator POTTER. I believe we have had statements to the effect that without our construction subsidy program and our operating subsidy program, we wouldn't have any American passenger vessels, because you can construct in foreign countries, such as Japan, a ship at 50 percent of the cost of doing it in our yards, and our merchant marine can't compete with foreign passenger vessels with the labor costs, and the other operating costs that are involved.

So the only way we can have passenger vessels, that are needed, as shown from the evidence so far, is by our construction and operating subsidy programs. Proceed, Admiral. We wandered off the subject considerably, but I think it was helpful.

Admiral WILSON. Based on these deficiencies it is recommended that a construction program be initiated at the earliest practicable date aimed at:

(*a*) Reducing these deficiencies to the maximum degree and at as rapid a rate as commercial utilization and the national economy will permit, and

(*b*) Providing a realistic means for replacement of existing tonnage now rapidly approaching obsolescence.

Senator POTTER. I take it you mean by No. 1, it would be folly to build ships and then put them in a fleet——

Admiral WILSON. I don't think it would ever take place. The greatest thing we could hope for is a program aimed at reducing the deficiency. I don't think it would be feasible, economically, politically, or any other way, for the Government to subsidize to any degree the construction of ships that would immediately go into lay-up.

Senator POTTER. Unless it can be used for commercial purposes, despite the deficiency that exists, you wouldn't recommend that we construct those ships?

Admiral WILSON. No, sir. Anything that was done of that nature, and certainly would not be done in the field that I am discussing here, would have to be done by the Navy under appropriated funds.

It is not within my province to recommend the form of a financial incentive which must be undertaken either by private financing or by the Government to persuade private shipping companies to accept newly constructed vessels either as additions to their fleet or as replacements for vessels owned by them which are becoming obsolescent. However, I desire to emphasize that such an augmentation and replacement program is definitely in the national interest.

Basis for the rate of the proposed ship construction program: One basic factor to be used in the development of a specific annual construction program is the necessity for the maintenance of a certain number of private shipyards in operation sufficient in number to form the base for expansion in time of war to meet mass-ship construction programs. The Department of Defense desires to emphasize that the existence of these active privately owned and operated shipyards, together with the skills of the shipyard workers and the capability of the tools, equipment, and facilities, is an essential factor to the national defense.

Senator POTTER. Admiral, does the Navy use any of the private shipyards?

Admiral WILSON. Yes. We use the private shipyards to quite a considerable degree. MSTS expenditures for ship maintenance and overhaul are better than 90 percent to private shipyards. The Navy, generally, in the combatant fleets has used private shipyards, particularly for auxiliary types, and now is considering even the further expansion of that program to maintain the capacity and the manpower of those private shipyards.

Senator POTTER. Do you have any figures as to the cost of construction or repair done in the private shipyards?

Admiral WILSON. Not anything that is conclusive. We use private shipyards in MSTS as a matter of basic policy, because our ships are very similar, almost duplicates in many cases, to commercial ships. We get a very quick job and generally a highly satisfactory job. We are not dealing in complicated electronics and gunnery installations, such as you would find in combatant ships. Our ships are pretty generally commercial in type. There is no real necessity to put those

ships in the navy yards where special skills are required that are not normally found in the peacetime makeup of private yards.

Senator POTTER. We had probably better ask somebody from industry this question, or the Maritime Board, but is much of our repair work by owners and operators of our own merchant ships done in foreign yards?

Admiral WILSON. I would estimate that a relatively small percentage of it is done there. I think, generally speaking, the commercial shipping industry supports American shipyards in repair and overhaul of their ships quite extensively.

Of course, it is the Navy's policy, and MSTS's policy to do that. We permit no repair of our ships in foreign yards other than that of an emergency nature.

Senator POTTER. Are the LST's that are shuttling back and forth to Japan and Korea handled by MSTS?

Admiral WILSON. Yes. They are Government-owned ships and they are under MSTS custody.

Senator POTTER. Why are those ships manned by Japanese seamen?

Admiral WILSON. We inherited those ships as a result of the Japanese Peace Treaty. Prior to that time they had been operated by the Japanese under the Supreme Command Allied Forces Japan, under a special arrangement which was primarily for the purpose before Korea of repatriating Japanese from behind the Iron Curtain and other places.

At the time of Korea, those ships were taken over—not taken over—employed by the military forces in the Far East as an essential adjunct to the fleet that was out there.

Senator POTTER. Was there any reason why we had to keep the personnel?

Admiral WILSON. Yes. There are some practical reasons why we had to keep the personnel. In the first place, it has been our general experience throughout Korea that we have had considerable difficulty in manning ships assigned continually to that area with American seamen.

In addition to that, these ships would have to be completely refurbished in the matter of crew accommodations to bring them up to the standards required for American seamen. They are only being maintained, not as military ships at all, to a degree of maintenance necessary to serve as point-to-point transportation out there. We operate them under a contract with a Japanese company in a manner similar to the way we operate our tankers with a company, in which the contracting company provides the manning.

Senator POTTER. Do you have any other ships where you have foreign seamen?

Admiral WILSON. We have other ships assigned in Japan, and where part of the crews are Japanese. That is in accordance with the overall policy of the Defense Department and the Government, to use indigenous personnel in these occupied areas to the extent it is feasible to do so.

Senator POTTER. Have you endeavored to try to secure American seamen for those positions?

Admiral WILSON. We have a considerable number of American seamen out there. We have 10 C–1 type operating exclusively in

Japan now under general agency agreement with the Maritime which are completely manned by American seamen.

Senator POTTER. I am now referring just to the LST's. Do the personnel have a union? Are they organized?

Admiral WILSON. In our own ships they are Government employees under civil service. Therefore, we cannot demand or inquire as to whether they are members of a union or not. It is not a requirement for hire. The fact that they are a member of a union does not disbar them from employment. We are not permitted or required to ask that in hiring.

Senator POTTER. There is no bargaining then between MSTS and the union?

Admiral WILSON. We are required by law to comply with all the maritime agreements. Our wage scales and benefits, and other features of the labor-management contracts are adhered to.

In some cases, under the rules of civil service, we exceed those benefits, in the matter of leave, particularly. We have recently, as an example, granted on a retroactive basis the same increase in wages that has been recently exercised in the maritime industry. We are required by law to do that. We have no choice in the matter.

Senator SMATHERS. Everybody who works on a ship that, we will say, is under Government contract, the seamen, are thereby governed by the rules and regulations of the Civil Service Commission?

Admiral WILSON. No, sir; that is not correct. The ships that we have custody of, we have what we call a nucleus fleet of some 260 ships of all types and craft, some of which are very small and of an amphibious nature, those ships are under our own custody and are manned by civil-service personnel, Government employees.

In addition to that, we currently have about 300 ships under charter. Those ships are manned by the contractors with merchant-marine personnel, exactly the same as any other ship in private industry would be manned.

Senator POTTER. With your Government-owned ships, while the personnel is under civil service, did I understand you to say they receive the same benefits that other merchant seamen receive?

Admiral WILSON. That is correct.

Senator POTTER. The same wage scale, the same ship accommodations, and so forth?

Admiral WILSON. That is correct. Of that 260 that I mentioned, there is 1 important exception. We have 62 tankers that are included in that 260 that are operated under contract to private tanker companies. Those ships are manned by merchant-marine personnel. So of our nucleus fleet of 260, 198 are manned by civil-service—actually, I have to make another correction—30 LST's are included in that, which are manned by Japanese. One hundred sixty, approximately, of those ships are manned by civil-service employees. The other 2 groups, 1, the contract tankers, under American flag, are manned by merchant seamen, and the 38 LST's in the Far East which are manned by Japanese.

Mr. DREWRY. That nucleus fleet of the MSTS is the number you consider necessary to be operating under the custody of MSTS at all times?

Admiral WILSON. No, definitely not. That is the number that we consider necessary at the present time.

Mr. DREWRY. That takes Korea into account?

Admiral WILSON. It is flexible and subject to change with world conditions.

Mr. DREWRY. Would it be too much to ask you to speculate what the size would be if there was not Korea at this time?

Admiral WILSON. If you did not include in the question a summary of the rest of the world situation at the same time. I don't think you can isolate Korea.

Mr. DREWRY. Can we do that, and assume that there was nothing except in most minor overseas operations?

Admiral WILSON. I think you can use this as a yardstick. In military shipping, the key to the size of our enterprise is basically predicated on the number of troops overseas, the number of United States forces overseas. If you bring home five divisions, you will see very drastic cuts in our shipping requirements.

As long as you maintain those forces overseas, their logistic support must be assured. The fact of whether or not they are in combat will perhaps vary our requirements by 10 or 15 percent, but not more than that. The troops and forces and aircraft and machinery have to be maintained, whether they are in combat or not, and the difference in tempo would be of perhaps 10 or 15 percent in nature.

Mr. DREWRY. That concerns the nucleus fleet under the custody of the MSTS.

Admiral WILSON. It concerns the entire MSTS fleet and its entire scope of business, actually, because included in our scope of business, in addition to these 500 ships which I have mentioned, 300 of which are privately owned or operated, there is also heavy support, reliance upon the berth liners.

Senator POTTER. When hearings were held on MSTS a few days ago, it was most difficult to determine the cost in the MSTS operation. As a matter of fact, I think it was conceded that the supplying of the shipping could be done cheaper by private operators than by the Government.

Admiral WILSON. I am not prepared to say on that, Senator, whether it can be or not. I think your previous statement must also be qualified. It is very easy, and something we can give you on very short notice, to determine what our costs are for the movement for any commodity or passengers, if you accept the premise in the beginning that our costs by directive and not by choice of ourselves, do not include military pay and do not include any depreciation or taxes. Those things should be recognized in the beginning.

Senator POTTER. That was the point I made, that it was difficult because those are real cost items.

Admiral WILSON. Yes.

Senator POTTER. That if they were taken into consideration, it was more costly for the Government to be in the shipping business than to have the private operators handle the shipping.

Admiral WILSON. There has been a great deal of folklore and myth created about the Government being in the shipping business, Senator, by this mechanism of MSTS. I would like to cite a few facts that come readily to mind. Eighty-five percent of our total cargo has moved by ships of the private industry.

Senator POTTER. Eighty percent?

Admiral WILSON. Eighty-five percent. We have moved consistently 15 percent or less in our own ships. Of some $638 million expended in our operations in fiscal 1952, we paid directly to private industry $475 million, or 75 cents of every dollar.

I think a better term than saying that we are in competition with private industry would be to say that we are the coordinators for the Department of Defense in the use of private shipping. I think the facts will bear out we have used private shipping to a very high degree.

Senator POTTER. When you have a cargo to move, do you endeavor to secure private shipping or move it yourself?

Admiral WILSON. We are guided by a policy declaration on the part of the previous Secretary of Defense, which has been reaffirmed by this administration. We are also guided by a joint agreement between ourselves and Commerce, which states in principle this: In the movement of cargoes for the Defense Department, we depend first upon the capabilities of our own ships. That has proven, by fact, to be some 15 percent of our total movements in dry cargo. That is the first priority.

After that, we utilize to the maximum practicable extent the services offered by the commercial berth liners. Next in priority is that we utilize by time charter privately owned shipping which is suitable and is made available to us on a voluntary basis. We have no means of compelling private shipping to be made available to us.

Then, after those methods have been exhausted, we utilize Government-owned, but privately operated ships, operated for us by the Maritime Administration under General Agency Agreement.

Senator POTTER. Did you ever utilize any trampers?

Admiral WILSON. We utilize currently, I think, about 140 tramp ships under charter. It changes from day to day. The current tempo of that is about 140 ships under charter.

Senator SMATHERS. Eighty-five percent, then, of the cargo which is moved to Korea and from Korea is handled in private ships today under contract with the Navy?

Admiral WILSON. Privately owned ships or privately operated ships These general-agency ships contribute considerably to that picture, of course. They are privately operated under general-agency agreements with the Maritime Administration.

I think quite significant in that, and of some bearing on the subject this morning, is the composition of those two groups of ships. We have, in the privately owned time charter category, better than 90 Liberty ships, these slow 10-knot ships that I spoke about. The balance is made up of faster ships that have been made available to us.

In the general agency fleet, we have currently 140 Victory ships, which are 16-knot ships. The difference in types of shipping is very appropriate for this subcommittee to consider, this whole question of obsolescence and slow types currently available in the American merchant narine.

Senator SMATHERS. When you have the need for cargo ships, and you don't have them yourself, that is, the Navy doesn't have them, or the Government doesn't have them, do you go out and bargain with some private owners?

Admiral WILSON. That is exactly what we do.

Senator SMATHERS. Do you have different standards? Might you get a ship from owner A at a much less cost than you would from owner B, or do you have a rate that is established?

Admiral WILSON. No; we definitely do not have a fixed rate. We have carefully avoided that. We couldn't live with a fixed rate because of the contracting regulations of the Government. We pay the market rate, or very close to the market rate. Our charters have varied from a low point of around $1,250 or $1,275 a day, when the commercial activity was at a low ebb, to as high as—this is a Liberty ship I am speaking of—something better than $2,000 a day when the activity, commercialwise, and MSA and all the other things that enter into it were at a very high peak.

So our experience has been throughout that range. Currently, I think, our average would probably fall somewhere around $1,600 a day. It varies considerably with the trend of the times. We have recently paid, in the last few months, as high as $1,800 for a Liberty ship. There has been a $600 difference there within the last year's time.

Senator SMATHERS. The cost you would have to pay would be greater as the competition would be greater, and the cost to the Government would be less as there was greater availability of ships?

Admiral WILSON. I am sure that is correct. It is responsive to the law of supply and demand, as most other Government procurement is.

Research in Department of Defense on development of improved merchant-type vessels and their cargo-handling equipment and facilities. Acting under a directive issued by the Secretary of Defense, the Chief of Naval Operations has designated the Military Sea Transportation Service as the steering agency in the Department of Defense to coordinate studies and make recommendations to the Secretary of Defense concerning the improvement of merchant-type vessels with special emphasis on the development of new designs and characteristics of their cargo-handling equipment and facilities.

In addition, the Secretary of Defense has designated Vice Adm. Francis C. Denebrink, USN, commander, Military Sea Transportation Service as the representative of the Department of Defense on a committee comprised of military officials, officials of the Maritime Administration, and officials of the private shipping industry. Through this medium, the development and recommendations approved by the Secretary of Defense will be made available to the Government and private agencies interested in the modernization of the United States merchant marine.

Conclusion: I wish to inform the committee that the Department of Defense is continually consulting and coordinating its studies with the Maritime Administration as to the size and characteristics of the desired active operating United States merchant fleet and the desired composition of the national defense reserve fleet. The complexity of this study and its vital importance to the national economy and national defense require a complete study that will take considerable time and effort. The information which I have given to the subcommittee today is the latest which has been developed to date. This joint effort on the part of Defense and Commerce will be of a

continuing nature, resulting in recommendations which, it is hoped, will be acceptable to the Congress for eventual Government support for the modernization of the United States merchant marine.

Senator POTTER. Admiral, I assume in the so-called target fleet which you have mentioned here as being desirable for national-defense purposes, that in arriving at the size and composition of that fleet, you took into consideration tensions that exist in the world today; it is projected on today's conditions and can change one way or another, I assume, if world conditions would change?

Admiral WILSON. That is correct. It is based primarily on the emergency plans of the Joint Chiefs of Staff. Of course, those plans are under continual review and are changed in accordance with the changing strategic situation and the world situation.

Senator POTTER. If it wouldn't violate security requirements, I would be interested if you could elaborate a little more on what we expect in the line of shipping from our allies, our NATO countries, in case of war, in case of an emergency.

Admiral WILSON. That subject is under active consideration, Senator. It, to a very considerable degree, is classified. I think, in general terms, you could state you could expect assistance to a limited degree.

I think we would be on a foundation of sand if we relied on it very extensively. It is one reason for the expression in this statement which said that it was the opinion of the Department of Defense that we should rely primarily and basically on a United States-flag merchant marine for the defense of the United States.

Senator POTTER. In other words, it is your position that a merchant marine would be in a little different category than, say, land defense? We do consider the joint efforts of the NATO countries in case of an emergency for land defense, air defense, and I assume the same is true with naval defense. You feel it would be foolhardy on our part to rely upon the merchant shipping to any appreciable degree to aid us?

Admiral WILSON. I think our best statement, perhaps, is that the ideal situation would be where each of the allies in any such joint military undertaking was fully competent and capable to supply the logistics of their own forces. To that extent, in a joint operation, you would certainly pool your shipping efforts. But for us to depend on some foreign shipping to provide our logistics would be a very weak reed to lean on.

Senator POTTER. I assume that the merchant marine, as would be true of every other category and branch of our armed services, in case of an emergency, despite the fact that if the target were reached, would not have enough?

Admiral WILSON. I would like to point out the target I have set out in this statement is only for the initial early period. Your assumption is absolutely correct on that. We were considering the operating fleet, the ships that would have to be in a going condition upon the outbreak of an emergency.

Senator POTTER. What was your experience with the availability of our Allied fleet during World War II? What was our experience there, do you recall?

Admiral WILSON. Of course, we received very material assistance in some categories, particularly in the use of the Queens, and other passenger ships, as transports, point-to-point transports particularly.

We received and gave considerable assistance in the matter of cargo ships and tankers. I think it was a mutual exchange, predicated as much on availability, of positioning, of ships as total number.

Senator POTTER. I don't know if this is a proper question to ask you or not, Admiral. It seems to me we are experiencing not a new industry, but a new source of commerce in the world today, particularly as far as ore carriers are concerned. I am speaking now of oceangoing ore carriers.

Certainly, from a defense standpoint, it would seem to me it would be very essential that we have some oceangoing ore carriers. Today, I don't believe there is an available oceangoing ore carrier. We have new sources of ore supplies. The Labrador Range will be opening up within a matter of 1 year. We have ore available in South America and Africa. It seems to me that is one area which somebody should give serious consideration to in the construction of ore carriers for this trade.

Admiral WILSON. These requirements here, Senator, are based primarily on military needs.

Senator POTTER. I realize that.

Admiral WILSON. We certainly recognize, as a part of the essential civilian economy, under emergency conditions you would require the transportation of that ore.

As ore carriers are applied to military purposes, they have their greatest appeal as being readily convertible to tankers. It is possible, as we get into this container-type ship, that ore carriers could be converted to that. I am not too familiar with the designs that are contemplated. They are, I think, somewhat parallel to the ore carrier commonly in use on the Great Lakes, where there are engines aft, and a long expanse of cargo holds, and so on.

Senator POTTER. I think the American-Hawaiian Lines are preparing, now, to construct some ore carriers for the Labrador route.

Senator SMATHERS. How much help are we getting in the Korean effort as far as ships are concerned from our allies?

Admiral WILSON. Well, it varies with the capabilities of our allies. In our transport of troops, for instance, we are called upon and make periodic voyages with troopers to pick up replacements or initial increments to go into Korea from 6 or 7 foreign countries.

We get into some very difficult administrative problems on those troopers, where we have Belgians, Dutch, Greeks, Ethiopians, and Thailanders and Americans all on the same little ship. It presents quite a problem. We even have been faced with the problem of putting an arrow on the king post that points to Mecca all the time, having special foods for these people, the Turks, and so on. They don't eat certain things we like to eat.

Senator SMATHERS. Are we supplying most of the ships?

Admiral WILSON. We are supplying 100 percent, with the exception of these heavy-lift ships, of our ships for our own forces, and a very sizable percentage of the shipping required for foreign contingents.

I think the British principally do some of their own logistics, but most of the other countries are practically completely dependent upon us for the movement of cargoes and men.

Senator SMATHERS. If you achieve this target which we are talking about here, what percentage more ships would we then have as compared to the end of World War II?

Admiral WILSON. It would be a relatively small percentage. I don't have the figures on it. We are talking here of the operating fleet. Just take the example of cargo ships themselves. We currently have in active and reserve fleets approximately 2,000 cargo ships. We are talking about an increase here of 165. So it is of that nature of magnitude.

Senator POTTER. Admiral, I wonder if you would be available tomorrow morning at 10 o'clock? We are not sure whether we will need you then or not. If you could be, we would appreciate it. Mr. Drewry will be in contact with you this afternoon. The committee will recess until tomorrow at 10 o'clock.

(Whereupon, at 12:05 p. m., the committee recessed, to reconvene at 10 a. m., June 17, 1953.)

# MERCHANT MARINE STUDIES

**WEDNESDAY, JUNE 17, 1953**

UNITED STATES SENATE,
SPECIAL SUBCOMMITTEE ON MARITIME SUBSIDIES
OF THE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
*Washington, D. C.*

The subcommittee met, pursuant to call, in room G–16, Capitol, at 10:07 a. m., Senator Charles E. Potter, presiding.

Present: Senator Potter.

Also present: Mr. John M. Drewry, special counsel to the subcommittee.

Senator POTTER. The subcommittee will be in order. Admiral Wilson, if you will honor us by coming back to the stand, we would appreciate it.

Admiral Wilson, the testimony you gave yesterday is one of the most enlightening, and I might even say refreshing things that has happened in years, insofar as tangible Department of Defense expressions relative to the defense requirements of merchant shipping is concerned. In my opinion, it should not be unique—but should be standard procedure for us to receive a statement of your Department's views on these matters and for you to appear before the Appropriations Committee, also, to support, from your side, to the extent you should, the various Commerce proposals for passenger-ship programs, prototype vessels and so on.

Your statement yesterday was most compact and complete, covering a complex subject in relatively few words. We asked you to come back this morning so we could, by further questioning, elaborate on some of your points in yesterday's testimony.

You stated in your testimony yesterday that you were representing the Department of Defense and indicated that you were working in close cooperation with the Department of Commerce in developing the overall fleet requirements you discussed. Now, can you tell us just what the organizational arrangement is between the two Departments to assure the continuance of the type of projected planning you discussed?

## STATEMENT OF REAR ADM. R. E. WILSON, USN, DEPUTY COMMANDER AND CHIEF OF STAFF, MILITARY SEA TRANSPORTATION SERVICE

Admiral WILSON. Senator, some months ago the Navy Department, for the Department of Defense, was designated as the action department to deal with the Maritime Administration in these considerations. We have organized a planning group, and have not only organized it, but we have it in effect, consisting of representatives of the Military

Sea Transportation Service and the Bureau of Ships, on the part of the Navy, and the appropriate representatives of the Maritime Administration, on the other part.

We have had and are continuing to have frequent meetings on the subject, formal meetings. In addition to that, we have groups working jointly on the determinations of the acceptable answers to these problems.

Senator POTTER. It is a continuing group?

Admiral WILSON. It is a continuing group.

Senator POTTER. Has it been formalized in any name committee?

Admiral WILSON. It has been formalized by an exchange of correspondence between the Secretary of Commerce and the Secretary of the Navy, in which the membership has been named and the general guidelines given to the group as to what is desired to have them consider. We have arrived at a tentative agenda. We have attacked the first phase, represented by that outline agenda, and are continuing with the work.

The statement I presented yesterday represented the current status of this first phase, which was to determine the appropriate size of the active, operating United States merchant fleet from a defense point of view, and the estimated civilian requirements in time of emergency.

Senator POTTER. When you speak of "phase," are you speaking of phase in the planning for the size and composition of the fleet, or was the size and composition of the fleet the first phase?

Admiral WILSON. That was the first phase.

Senator POTTER. What are your anticipated discussions from here on going to be?

Admiral WILSON. We expect to continue to determine, as well as the active fleet, better figures on the requirements of our reserve fleet; in other words, the total national defense fleet, its characteristics, the possibilities as to what can be done on a long-range basis to modernize it.

There have already been byproducts of that study. It has already become apparent to us that the physical deployment, you might say, the lay-up of the reserve fleet, as now in existence, is not completely realistic. There are other angles that I am sure will develop that will require a considerable amount of study and changes in the present scheme of things.

Senator POTTER. From a defense standpoint, are you concerned at all with the locations of the various trade routes? Are you interested in developing and having new trade routes developed, or trade routes with certain countries? Does that have a national-defense aspect?

Admiral WILSON. I wouldn't say that it directly did. Indirectly, of course, it does. Anything that is done along that line, to better provide commercial utilization of the merchant marine, to strengthen it, modernize it, certainly has a bearing on national defense. The matter of the import of critical materials has a bearing on it.

Senator POTTER. That is what I had in mind.

Admiral WILSON. Aside from that, under full mobilization considerations, which we are considering basically, the commerce of the United States gets to be what is essential to support the war effort.

There would be, I am quite sure, a considerable shift of pattern in that thing over that prevailing in peacetime. To the extent that it has an influence on the adequacy of import of critical materials, on a general plan to strengthen and keep strong the merchant marine, there is a defense interest. Beyond that, it is pretty much commercial and economic.

Senator POTTER. Apparently the Northern Hemisphere is the area where most tensions are today. In case of an all-out war, I assume the battleground, land, sea, and air, would be in that area.

I ask the question. I know it is a little abstract. I am thinking of possibly whether we have shipping facilities, dock facilities, and so forth, in some of these remote areas that might possibly be needed in case of an all-out war.

Admiral WILSON. I think anything that can be done to improve any phase of shipping, in which you have any assurance will remain there in time of conflict, is important.

I think you also have to recognize that combat conditions may change that pattern considerably. What is appropriate and necessary, or what should be encouraged from a commercial point of view in peacetime, will not necessarily, by sheer weight of circumstances, prevail in war.

Senator POTTER. Mr. Drewry, do you have some questions?

Mr. DREWRY. Admiral, when was this joint group of Defense and Commerce set up?

Admiral WILSON. I don't have the exact date. It was, I would guess, in midspring that we started actively on the thing, of this year.

Mr. DREWRY. It is contemplated it will be a continuing thing; not only a matter of starting off with this first phase of determining what the active fleet ought to be, and then going on into the reserve fleet, and overall requirements, but that will be under constant review as time goes on?

Admiral WILSON. Yes. It will have to be under constant review to make it at all realistic. You cannot make a flat, final determination as of a certain date.

What you determine in May of this year may be considerably in error in May of next year.

Mr. DREWRY. That was my point. Over the past years, there have been a number of very useful studies made that have been useful as of the time they were made, and then promptly seem to have been forgotten or put aside. In that connection, there is an agreement of October 1951, between the Department of Commerce and the Department of Defense, concerning the relationship between MSTS and MSA. Can you tell us, from the standpoint of the Department of Defense, whether that agreement has worked out satisfactorily?

Admiral WILSON. Yes; I think that agreement has worked out quite satisfactorily. We have no fault to find with it whatever.

Mr. DREWRY. Do you feel it has resulted in a more economical use of merchant shipping as a result of it being in force?

Admiral WILSON. I think it serves to formalize and give public and full recognition to the guidelines which both agencies would have operated under, perhaps, without an agreement. It definitely formalizes that and documents it.

Mr. DREWRY. From that standpoint, it would be more efficient by reason of being——

Admiral WILSON. By reason of being a complete understanding in the thing, yes.

Mr. DREWRY. That would form a basis for future utilization in the event of emergency to our merchant shipping?

Admiral WILSON. Yes, the agreement covers not only conditions as existing at present, but also deals in the matter of what would prevail under mobilization conditions.

Mr. DREWRY. Admiral, you spoke of the need for a phased ship construction program. Could you elaborate on that a little more, how it should be phased, the total number of personnel that would seem to be required in the shipbuilding industry to carry it out, perhaps the number of ways that you would consider would be a necessary minimum to be maintained and in operation during the course——

Admiral WILSON. I can't give anything specific on that. As of now, I think it well could be thoroughly developed as a product of this group's efforts, and undoubtedly will be. To say specifically as to the number of ways required and shipyard workers is a very broad and complex problem, when you consider that those same ways and shipyards are definitely included in the support of the combat Navy, as well as the merchant marine.

There is a great deal of coordination which has to be exercised between the two. So far as the Navy is concerned, the chief of the Bureau of Ships is officially designated as the coordinator of shipbuilding and repair. In that task, he must work very closely with the Maritime Administration, which is charged with a similar job for merchant-type shipping.

Senator POTTER. We have how many private shipbuilding yards—four?

Admiral WILSON. We have a great many more than that Senator. The preponderance of private shipbuilding facilities and manpower in peacetime, I am sure, is on the east coast. But there are a great many facilities on the west coast, some of which are inactive and can be reactivated, and many of which are active.

I think it is significant to note, I believe the figure is correct, that some 63 percent of the total construction of combatant ships in the last war was done in private shipyards. So you have that, superimposed on the demands of the merchant marine.

Senator POTTER. We run into a situation today where American shipowners can construct new vessels in foreign yards cheaper than they can be constructed here, even with the construction subsidy. I am thinking now, again, of the reconversion of the C–4-type vessels that the American-Hawaiian Lines are trying to reconvert in Japanese yards.

It would seem to me it is a dangerous situation to let develop. I am fearful that unless a more positive action is taken by the Congress, there will be a continuing drying-up of our own shipyards.

I am wondering if you had any suggestions, or would care to comment, on this problem of keeping the trained personnel there and the facilities active for use in case of a national emergency. A shipbuilding yard in Japan, for example, may not be of too much value to us in case of a war, but it would be valuable to us to keep our shipbuilding program in Norfolk, or Baltimore, wherever it may be, operating.

Admiral WILSON. I think the problem is well recognized. I believe in regard to a specific answer to it, that the proper agency to testify would be the Maritime Administration. I think it is worthy to note that Congress has recognized this problem in the past, within limits at least, in that American-flag ships, or American-owned ships which are built in foreign yards are prohibited by law from engaging in domestic or coastal trade.

For example, a tanker built in Japan cannot transport oil from the United States Gulf to eastern seaboard points. They must make their lift from a foreign port to the United States. There are those restrictions which serve to keep some construction in the United States yards.

Mr. DREWRY. Do you agree that, insofar as it is possible to do so, it is just as important to make some tangible assessment of our shipbuilding requirements, as well as for our active fleet, in order, for one thing, to make the matter comprehensible to the Congress, in line with what the chairman just suggested?

Admiral WILSON. I think that is most important, and probably of equal importance as the size of the active fleet. I think you would be very naive to assume that an active fleet would reach such proportions as to meet the military requirements under mobilization conditions. Almost inevitably, upon mobilization, you would be launched in a large-scale shipbuilding program, both for the Navy and for the merchant marine. The speed and efficiency with which you can launch such a program will completely depend on the facilities of private-yard facilities that are available.

Mr. DREWRY. This phased construction program would be a thing that should be presumably undertaken right away, on the basis of your statement yesterday for the need right now of a total of some 214 notional ships, and an indication that a good bulk of the remainder of the reserve fleet is obsolete or fast becoming overage. It is your thought that such a program should be undertaken as soon as possible, is that correct?

Admiral WILSON. Yes; that is correct. That is the Defense Department's position, recognizing all the difficulties that are inherent in that. I certainly don't believe you build ships just for the sake of building them, to be laid up in a reserve fleet. I think that idea is completely untenable. What you do, short of mobilization, is done in accordance with the commercial demand and economic need. I can't visualize, in my mind, any program that would contemplate construction of ships to immediately go into layup. I think that is fantastic, and I don't think it would ever be done. Whatever can be done to build ships, and commercially employ them in the interim between now and a possible mobilization, regardless of how long that interval might be, is most appropriate.

Senator POTTER. Certainly the ships that we do build should be built in American yards.

Admiral WILSON. I think definitely, yes.

Mr. DREWRY. Just a little bit apart from that, I understand in the military overseas procurement program there has been—I don't know the exact figure—about a quarter of a billion dollars that has gone for the building of combatant vessels for foreign nations in foreign yards at our expense. Would it be possible to work out a cooperative arrangement with the Department of Commerce whereby they could

get the benefit of your cost experience in the building of those vessels abroad?

Admiral WILSON. I think that could be done without question. I am not in a position to give a definite answer. But I can see no roadblock to it.

Mr. DREWRY. Those ships, as I understand it—I am not too familar with that program—that are being built foreign are small and very specialized.

Admiral WILSON. You would have to interpolate or extrapolate, perhaps, to get into the kind of thinking we are talking about here, or labor rates, overhead costs, and all those things should be readily available.

Mr. DREWRY. Yesterday, in speaking of the prototypes, you mentioned the "roll-on, roll-off" ship and the container-type ship. I wonder if you could elaborate more on that? You mentioned, I believe, that the "roll-on, roll-off" type was being used to some extent commercially. Can you tell us in what size ship you have this in mind, or whether there are several sizes, whether you have given any thought to possible commercial utilization of them with the special features in them which you recommend, such as the compartmentation? Could you just give us more of a detailed discussion of what exactly you had in mind in that type of vessel?

Admiral WILSON. I might say, first, there are in existence commercial designs of both these types which we feel are susceptible to very efficient and reasonably quick alterations to completely meet military needs. They are not just "dream" ships. There are in existence designs which, with slight modifications, could be rendered completely suitable for military purposes.

In the "roll-on, roll-off" ships, we mean a ship of the order of 500 or 550 feet, with a beam corresponding, draft within the limitations which I mentioned in my statement of yesterday, with a speed of 20 knots or better, of commercial design—the one I looked at this morning has a speed considerably in excess of that—a ship that is capable of taking 300 to 500 vehicles of all the miscellaneous military types, and they get to be very complicated, some of them outlandish sizes and dimensions, and some of them very small and compact, rapidly loading and unloading those by using their own wheels.

The ship would have a stern ramp which, by adjustment of the ramp, could either be considered a dry well, which means that you roll off onto a barge, or other smaller craft, or a wet well, which by dropping the ramp further, you can bring amphibious types or floating barges almost into the ship, really, and roll this equipment off.

It would have side ports, which would permit you to wheel these vehicles on and off to a pier at which the ship is moored, and it would have an internal ramp or elevator or mechanism to permit you to quickly stow the cargo when it is rolled aboard. That particular ship has a commercial appeal from the standpoint of handling trucks and truck trailers, and that sort of thing.

Mr. DREWRY. Are any of them in actual operation?

Admiral WILSON. The only ones that are in actual operation now are the sea trains, which are a modification of that, somewhat restricted. As I mentioned yesterday, they require a very special terminal at both ends of their runs, to roll railroad cars on and off through the stern port.

Mr. DREWRY. I think you spoke of the lack of compartmentation, too.

Admiral WILSON. That is one of the things that haunts us. The natural desire, in ships of that type, is to get the maximum utilization. In order to get that, you minimize your compartmentation in the ship. It is relatively easy to design a ship which is commercially very efficient and economical, and still have it very much of a hazard under combat conditions. If some element of stability and flotation is not included in the design, the ship becomes very useful, perhaps, but very dangerous, also.

Mr. DREWRY. I am getting a little out of my field, but how would you employ the full reach of the ship, which I would assume you would want to do, for the rolling on and off of these vehicles, with satisfactory compartmentation?

Admiral WILSON. It can be done at some sacrifice in capacity. It can be done to an acceptable degree by the use of internal ramps or elevators which permit you to spot this cargo internally in the ship, and still maintain a one-compartment standard. The one-compartment standard means the ship will remain afloat and relatively stable if any one compartment is flooded. That is a common standard in cargo ships.

In troopships, particularly those used by the Navy, we strive to make it a two-compartment standard. That means it will remain stable and afloat if two compartments are flooded.

Mr. DREWRY. I have heard criticisms that the roll-on, roll-off idea, where the vehicles would, for instance truck trailers, would be stowed on board with their own wheels, that in operation there would be danger of damage to the trailers themselves unless there is very expensive and space-consuming gear installed to keep the body of the trailer from working on its undercarriage.

Admiral WILSON. There would be required special features to handle that, but I don't think this is an insurmountable problem.

Mr. DREWRY. The container-type ship wouldn't be faced with that problem, as I understand it.

Admiral WILSON. No; the container-type would be rectangular containers which stow well.

You might get into what we call "broken stowage" of what goes into the individual containers.

Mr. DREWRY. Do you have in mind containers that would be of the dimensions of a trailer-truck body?

Admiral WILSON. The Army Transportation Corps has a very active program on this container business. The Navy has, too, as a matter of fact. They are coordinating between themselves. They contemplate about 3 or 4 standard sizes, which will give you that degree of flexibility as regards particular cargo.

Senator POTTER. Are there any container-type ships now being used in the commercial trade?

Admiral WILSON. There are no container-type ships. There is a commercial design for container-type ships. Here is a picture. We are shipping a small amount of military cargo in containers to the western Pacific now, as an experimental program.

I think that will give you a picture of a commercial design, which is very similar to what we have in mind. These are pictures of containers that have been considered.

Senator POTTER. One thousand cubic feet is a good-sized container.

Admiral WILSON. Some of these are fairly large. It has another advantage that can't be completely overlooked, in that it provides a greater security en route and in transit, rather than when shipped in bulk.

Senator POTTER. You wouldn't have the breakage?

Admiral WILSON. The breakage, pilferage, or all the other things you run into. It, administratively, simplifies things in the matter of documentation, detailed manifests of cargo, and so on. It has a lot of appealing advantages over and above the pure military considerations.

Mr. DREWRY. You spoke yesterday, Admiral, of MSTS working sort of in charge of studies to work out some of these problems for the utilization of merchant ships, including questions of research and design. Is there, at present, any such activity anywhere in the Department of Defense? Is the Bureau of Ships, for instance, employing any sizable or significant group working on research in vessel design, cargo ships, handling equipment, or things of that sort?

Admiral WILSON. The group that I referred to yesterday is a committee within the Department of Defense, or a group within the Department of Defense, in which the Bureau of Ships is represented, and the Army and Navy shipping agencies are represented, as well as MSTS. MSTS has been designated as a steering agency for that group.

They utilize the full technical facilities of the Bureau of Ships and other interested agencies in the development of these things. Many of these ideas that we have discussed previously have originated in that group. I won't say necessarily "originated," but the group has jelled the thing that has been sort of floating around in the upper strata until some catalytic agent caused it to jell. I may be confusing my chemistry a little, but perhaps I have expressed my thought.

Mr. DREWRY. Have there been actual designs at least begun on these prototypes that have been mentioned?

Admiral WILSON. Yes. We have a design of a roll-on, roll-off. It is in a classified status at the moment. But, in general, it covers the features that I have described. We are currently working on this container idea.

Mr. DREWRY. You spoke of the C–2– and C–3–type vessels as being very practical from the defense standpoint. Can you elaborate just a little on why they are considered so at present, and whether you consider that that basic design should be continued into the future, or whether some suggested basic changes are——

Admiral WILSON. These two cargo ships I described yesterday in my formal statement are actually in size and general characteristics, I think you would say, between the current C–2 and C–3 designs. They are, perhaps, a little on the side of being closer to the C–3's. They are a little smaller than the Mariners, and probably will have more commercial appeal than the Mariners. The Mariners are pretty large ships for many commercial routes.

The Maritime could give you a better idea on that than I can. From a military point of view, that moderately sized, high-speed ship is very, very handy in the ports we contemplate we would have to go.

One thing that haunts us in future military operations is the absolute necessity for quick turnarounds in any port that is subject to combat conditions. You cannot afford, with modern weapons, to expose shipping any longer than is absolutely necessary. They must get in and out as quickly as it possibly can be done. On that device hinges the success of many military operations, as we see them, in the future.

Mr. DREWRY. Would you say the Mariners are equipped with the most efficient developments to date to accomplish that quick turnaround?

Admiral WILSON. I think the Mariners have many, desirable features. We are currently operating all the Mariners that are in existence, that have left the shipyards. We are finding them to be very satisfactory ships for our purposes. I wouldn't say that they represent the ultimate or the last word. There are undoubtedly many improvements that could be made. Hindsight is always a fine thing in the design of ships, as well as any other activity.

If you did the Mariners over today, there undoubtedly would be some changes that would be desirable.

Mr. DREWRY. You spoke of the phased construction program, and also the containers. Would you favor further use of the so-called rolling-wing deck to apply to existing ships while you are waiting for the construction program to get underway? Would that be a device which is now in being which would contribute materially to an increase in speed and efficiency?

Admiral WILSON. I think it has its applications. I don't think you would just adopt it automatically. It would be a matter of fitting it in where appropriate.

Mr. DREWRY. It has been found to be valuable in certain circumstances?

Admiral WILSON. I think that is correct.

Mr. DREWRY. There is no discussion, Admiral, for reasons which I think we understand, of particular employment of American merchant shipping, but can you discuss the relative advantages, if there are any, of having in being a coastwise and intercoastal shipping in time of war or emergency?

Admiral WILSON. I think you have to separate out the intercoastal from the coastal, in that I believe you will find, and I certainly will bow to the opinions of Maritime and the industry in this, that intercoastal shipping is no different than offshore.

Senator POTTER. From the west coast to the east coast?

Admiral WILSON. Very similar to the ships that would be employed in the offshore trade. Coastal shipping, from a military point of view, has an advantage of providing the commercial development of smaller types of ships which can be, and have proven in the past wartime experiences, to be extremely useful.

Mr. DREWRY. What about the point that has been frequently made about the immediate availability of ships in the domestic trade that you can just reach right out and pull in, whereas the shipping in foreign trade is a little harder to get at? That point frequently has been pressed before committees of Congress.

Admiral WILSON. I think that is an important factor in our planning here. In determining our military requirements we have had to con-

sider, in this first short, initial period, the availability of existing ships, and allow rather high factors for nonavailability, as a matter of fact, because they would be offshore somewhere, and it would take time to get them positioned for a military lift.

Senator POTTER. Admiral, I represent a Great Lakes State. We used to have package freight ships. We used to have passenger vessels on the Great Lakes. I know during the war that the Government took over all ships of that kind, including those from the Great Lakes. Today that trade has completely dried up. I don't believe we have a package freight vessel on the Great Lakes. We have a few car-carrying vessels, automobile-carrying vessels. We have that in combination with passenger facilities, to a certain degree.

Would that argument you gave, that these ships are available, also not apply to ships on the Great Lakes?

Admiral WILSON. I think it would to a somewhat limited degree. I don't desire to get into the ancient acrimony between deepwater sailors and fresh-water sailors. There are features of design in Great Lakes' ships which do not, under all conditions, render them suitable as oceangoing ships.

Senator POTTER. They have been used, however, in the past, haven't they? I don't know what they were used for, particularly.

Admiral WILSON. I assume some of them have.

Senator POTTER. I assume there was a certain amount of conversion on those ships to make them suitable.

Admiral WILSON. I am not too familiar with that, Senator. There are differences in design between a ship intended to Great Lakes service, and one that would be suitable for offshore use.

Mr. DREWRY. Further along that line, in time of war, the entire transporation system of the country is actually at full capacity. In regard to coastwise shipping, would you see any great need for the further development of coastwise shipping in order to relieve the pressures on the railroads and the highways in the event of bombing attacks?

Admiral WILSON. I think that could be done as a matter of military expediency or necessity. I don't think we would be completely safe to assume that the water offshore would be particularly safe either. I think our own coasts were strewn with considerable wreckage during the last war, before we could bring the situation in hand. You would certainly use any avenue that was open under such emergency conditions. It would be possible to divert other ships to that trade if you had to.

Mr. DREWRY. I was thinking of whether there would be a national defense or emergency justification for considering the development of designs of vessels to reestablish that trade because of their potential importance in time of emergency, rather than diverting ships that were already in the offshore trade.

Admiral WILSON. It would represent another demand on the total, overall shipping requirements. I don't think you could very well substantiate special designs in peacetime to handle that situation; in other words, you could utilize Liberty ships, or Victory ships, or any that are in being for that purpose, under emergency conditions.

Mr. DREWRY. It would have to depend on the development of some commercially feasible program, rather than one of national-defense features, for instance?

Admiral WILSON. Yes, unless it would be in the commercial application of some of these prototypes, that you found a greater use for them coastal than otherwise. That might well be true with a roll-on, roll-off ship, where they are relieving highway congestion by transportation of trucks and wheeled vehicles in coastal trade.

Mr. DREWRY. You spoke of the importance of the maintaining and operation of the active fleet, if possible, with a certain number of tramp ships in peacetime. Do I understand that when you speak of tramp ships, you are speaking in terms of the same type of vessel that you are speaking of otherwise for the berth services, that is, modern, highspeed, efficient vessels; you are not thinking in terms of the Liberties?

Admiral WILSON. In that statement, I was speaking of ships that were available that were not committed to regular sailings, that were not a part of the established service, that were tramping, actually, and were available for charter.

Mr. DREWRY. Can you foresee a continuing need for a reasonably long period of time of tramp vessels in the service of the MSTS to carry military cargoes?

Admiral WILSON. Definitely, yes. We make a very heavy reliance on the charter of ships for that purpose. I said yesterday that 85 percent of our total business was transported in ships other than those under our own custody. There will certainly be no slacking of that percentage.

Mr. DREWRY. Even if there were a very considerable further drying-up of foreign-aid cargoes, there would still continue to be, for a long time, a need for tramptype shipping?

Admiral WILSON. We would expect that percentage would remain. We would still look to time-chartered and berth-operated ships to handle at least that much of our total business.

Mr. DREWRY. You spoke of the situation of the dry-cargo fleet, there being a requirement of 13,899,600 dead-weight tons, corresponding to a requirement for 1,287 notional dry-cargo ships. As I understood your statement, you were speaking of what would be desirable, and not necessarily just what we had at the moment. Does that figure take into account the matter of speed, as well; does that refer to the 18-knot speed?

Admiral WILSON. No. There, again, we are being confused by this term "notional ships."

In making any of these determinations, you start with requirements. Your requirements in the case of cargo are generated in terms of tons. In the case of troops or passengers, they are generated in terms of bodies to be moved. Then, you move from that stated requirement to something that you can realistically measure. The means of moving from that to an inventory of available shipping is through this yardstick, this term of measurement of notional ships.

Mr. DREWRY. Then if the desired new types came along, your overall number of ships would be reduced from what is now——

Admiral WILSON. In the first part of the statement that you refer to, where I mention tonnages and notional ship requirements, that was the first stage. Then, back along, as I remember, on page 7 or so of my statement, we got into actual ships. I prefaced that by saying "In terms of ships which we have considered," in other words, in terms of the new types or the type of ships that we consider to be acceptable, this represented so many actual ships.

In the interim, there, we have made that conversion, from notional ships to actual ships having those characteristics.

Mr. DREWRY. The "actual" referred to an actual deficiency?

Admiral WILSON. That is correct. We also compared that with the fleet in being.

Mr. DREWRY. What I was getting at, we have X number of ships now, a large proportion of them being Libertys. As they are replaced, or as the fleet receives the newer type ships with the recommended speed and other characteristics of cargo handling, and so on, then the total number of ships would be presumably considerably less than what we have at the present time?

Admiral WILSON. Let me explain the mechanism that went on there. These requirements are generated, originally, in tons of cargo, barrels of petroleum, and bodies, as far as troops and passengers are concerned. We convert that to notional ships of those types, having stated capacities.

Then we take an inventory of the existing fleet in those types. That is quite a complicated thing, in that you have so many Libertys, you have so many Victorys, you have so many Mariners, and all the other types. You convert that to notional ships. Then you are on common ground. You have your requirements expressed in notional ships; you have your inventory expressed in notional ships. You can very readily, then, do it. You are dealing with bananas and bananas. You can very definitely, then, make a direct comparison and determine what the deficiencies are.

Then you have a deficiency in notional ships, or perhaps a surplus. It could work out either way. You convert that deficiency or surplus into actual ships of a particular type. That is the final stage. That is what is represented in the last page there. It is a matter of getting everything down to a common unit of measurement before you can make a comparison.

Senator POTTER. As to the ships that do not meet the speed requirements you recommend, you would not consider that ship, then, as being in your capitulation?

Admiral WILSON. Yes, sir; they are all considered in arriving at that deficiency. The entire inventory of the United States active fleet is considered as of the 31st of December. That was in ships.

As an attempt to illustrate that, suppose that came out to be, in cargo, 100 Liberty ships, 50 Victory ships, and 10 Mariners. You convert that to notional ships. It just so happens that the notional ship is a Liberty ship. When you consider your 100 Liberty ships, you come up with 100 notionals for that. The 50 Victory ships are about 1.2 notional ships apiece. So the 50 Victory ships would count as 70 notional ships. The Mariners are 1.6. So your 10 Mariners would count as 16 notional ships. You add that up to arrive at your notional-ship inventory.

Mr. DREWRY. In your conversion to or from notional ships, it is not only the unit capacity per ship, but also its speed and efficiency is taken into account?

Admiral WILSON. That is true. It is speed and capacity. It is true in any one of the types, cargo, tankers, or passengers.

Mr. DREWRY. As the existing fleet becomes modernized by newer ships, and assuming that the basic requirements remain the same, fewer ships can do the job——

Admiral WILSON. You would have fewer ships to equal the same number of notional ships, that is correct. For instance, as I stated in the statement yesterday, for the approved program for the 28 Mariners still to come out, those 28 Mariners, in terms of notional ships, are worth 35 notional ships.

Mr. DREWRY. Twenty-eight are still to come out?

Admiral WILSON. Yes. There are 28, as of the date of this inventory.

Mr. DREWRY. Admiral, at this time, as I understand you, you are not really prepared to go into any detail on the reserve fleet, in any program of livening it up?

Admiral WILSON. We have not reached a point yet in these considerations where we can give you anything definite on that.

Mr. DREWRY. There are many questions related to that problem. If you are not prepared at this time, and will be in the near future, I think we would save time by waiting for it.

Admiral WILSON. I would like to ask you for a definition of the "near future." If you are speaking of a period of the next 3 months, or 2 months, I could say "Yes." But if you mean sometime in the next week, no.

Mr. DREWRY. I would assume in the next 2 or 3 months.

Admiral WILSON. I think definitely we will have a much better idea of the situation by that time.

Senator POTTER. That is what is under discussion at the present time?

Admiral WILSON. We will have more within that time than now. Up to now, we have considered primarily the operating fleet.

Mr. DREWRY. Before the next session of the Congress?

Admiral WILSON. I am sure we will.

Mr. DREWRY. We have two other witnesses. We would like to hear them, if we can.

There is one thing I would like to have you submit for the record. I would like to have you submit a tabulation of the characteristics of the different types of vessels we have been discussing, insofar as you can. I believe Commander Murphy said such a tabulation would be available.

Admiral WILSON. You mean, of the prototypes?

Mr. DREWRY. P–2's, C–2's, and that sort of thing.

Admiral WILSON. Existing ships?

Mr. DREWRY. Yes.

Admiral WILSON. That is easy to do.

(The material referred to is submitted as follows:)

MILITARY SEA TRANSPORTATION SERVICE,
*Washington, D. C., September 2, 1952.*

MERCHANT-SHIP CLASSIFICATIONS

Maritime Administration designs are classified by three groups of letters and numbers which identify the ship's characteristics, as C4–S–1a.

Group 1 indicates the type of ship such as cargo, passenger, tanker, and so forth, and its approximate length. This information is listed in table 1.

Group 2 indicates the type of machinery, number of propellers, and whether passenger accommodations are for more or less than 12. Table 2 contains this data.

Group 3 indicates the chronological order of design and variations or modifications to the basic design.

TABLE 1

| Symbol | Type of vessel | Length designation (load waterline in feet) | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| C | Cargo, unlimited service (under 100 passengers) | [1] 400 | 400–450 | 450–500 | 500–550 | [2] 550 | | |
| P | Passenger, unlimited service (over 100 passengers) | [1] 500 | 500–600 | 600–700 | 700–800 | 800–900 | 900–1,000 | [2] 1,000 |
| B | Barge | [1] 100 | 100–150 | 150–200 | 200–250 | 250–300 | | |
| G | Great Lakes cargo | [1] 300 | 300–350 | 350–400 | 400–450 | 450–500 | 500–550 | 550–600 |
| H | Great Lakes passenger | [1] 300 | 300–350 | 350–400 | 400–450 | 450–500 | 500–550 | 550–600 |
| J | Inland cargo | [1] 50 | 50–100 | 100–150 | 150–200 | 200–250 | 250–300 | |
| K | Inland passenger | [1] 50 | 50–100 | 100–150 | 150–200 | 200–250 | 250–300 | |
| L | Great Lakes tanker (ore-grain) | [1] 400 | 400–450 | 450–500 | 500–550 | 550–600 | 600–650 | |
| N | Coastwise cargo | [1] 200 | 200–250 | 250–300 | 300–350 | 350–400 | 400–450 | 450–500 |
| O | Coastwise passenger | [1] 200 | 200–250 | 250–300 | 300–350 | 350–400 | 400–450 | 450–500 |
| R | Refrigeration | 400 | 400–450 | 450–500 | 500–550 | | | |
| [3] S | Special | [1] 200 | 200–300 | 300–400 | 400–500 | 500–600 | 600–700 | |
| T | Tanker | [1] 450 | 450–500 | 500–550 | | | | |
| U | Ferries | [1] 100 | 100–150 | 150–200 | | | | |
| V | Towing vessels | [1] 50 | 50–100 | 100–150 | 150–200 | | | |
| D | Outside designs | | | | | | | |

[1] Under.
[2] Over.
[3] This letter will be assigned to plans received from outside companies. If designs are developed from these for contracts a design letter will be assigned. This special designation will apply to certain Navy Department vessels which may be built by the Maritime Administration and those of such a special nature that they fall outside of any of the designations given in table 1.

TABLE 2

| Type of machinery | Number of propellers | Under 12 passengers | Over 12 passengers |
|---|---|---|---|
| Steam | Single | S | S1. |
| Motor | do | M | M1. |
| Turboelectric | do | SE | SE1. |
| Diesel electric | do | ME | ME1. |
| Gas turbine | do | G | G1. |
| Gas turboelectric | do | GE | GE1. |
| Steam | Twin | ST | S2. |
| Motor | do | MT | M2. |
| Turboelectric | do | SET | SE2. |
| Diesel electric | do | MET | ME2. |
| Gas turbine | do | GT | G2. |
| Gas turboelectric | do | DET | GE2. |
| Steam | Stern wheel | SW | SO. |
| Motor | do | MW | MO. |

*Example.*—C4–S–1a is shown, by table 1, to be a cargo ship between 500 and 550 feet long at the loaded waterline; table 2 indicates it is a single-screw ship, steam machinery, having 12 or less passengers; the numeral 1 of the third group indicates the first design classified while the letter a indicates the original arrangement of this particular design. This letter can be varied to reflect major changes such as addition of passengers, conversion to troopship, and so forth. If accommodations for 50 passengers were added to a C4–S–1a ship, it would be reclassified as C4–S1–1b. The third classification would become 1b, since accommodations for more than 12 passengers were added; the second classification group would become S1; and the first group would not change since these accommodations are for less than 100 passengers.

The letters E and V are prefixed to Emergency or Victory ship construction. For example, the basic Liberty ships are designated EC2–S–C1 and the Victory ships VC2–S–AP1. The absence of the E or V prefix indicated that the design is in the long-range category, for example, C2–S–AP1.

*Stowage factor versus dead-weight draft*

| | |
|---|---|
| Liberty | 44.1 |
| C1–M–AV1 | 44.8 |
| C4–S–A1 | 49.8 |
| Victory | 51.8 |
| C1–B | 58.7 |
| C3—Bland | 59.9 |
| C3 | 62.3 |
| C4–S–1a (Mariner) | 64.0 |
| C2 | 68.1 |

*Bale cube*

| | |
|---|---|
| Liberty | 499,573 (less deeps). |
| Victory | 453,210 (5 holds). |
| C2 | 542,000 (5 holds). |
| C3 | 732,140 (5 holds). |
| C4—(old) | 711,580 (7 holds). |
| Mariner | 736,723 (plus 30,000 reefer). |
| C1A | 444,400. |
| C1B | 448,405 (5 holds). |
| C1–M–AV1 | 227,730. |
| C3—Bland | 561,290. |

Mr. DREWRY. Yesterday the matter of the carryings of the *Queens* of American troops during World War II was discussed. I don't recall ever hearing an exact figure on it. The figure usually mentioned is either around or over $100 million.

Admiral WILSON. It is a matter of record. We might have to give it to you in terms of cost per man or passenger.

Mr. DREWRY. Just so long as we could see what the total was. I think it would be desirable to have that figure. It is used quite frequently.

Admiral WILSON. We can do that.

(The following letter was supplied for the record:)

DEPARTMENT OF THE NAVY,
MILITARY SEA TRANSPORTATION SERVICE,
*Washington 25, D. C., July 10, 1953.*

Hon. CHARLES E. POTTER,
*United States Senate, Washington 25, D. C.*

MY DEAR SENATOR POTTER: In response to a request made by you at the time of my recent appearance before the subcommittee of which you are chairman, I am enclosing a statement concerning the operation of the British transports *Queen Mary* and *Queen Elizabeth* during World War II.

Inasmuch as the Military Sea Transportation Service was not in existence during this period I am forced to rely upon information furnished by the Army Transportation Corps and the Maritime Administration. To the best of my knowledge the enclosure represents a statement of fact.

It is a pleasure to be of assistance to you in this matter.

Sincerely yours,

RALPH E. WILSON,
*Rear Admiral, United States Navy,*
*Deputy Commander, Military Sea Transportation Service.*

STATEMENT CONCERNING THE USE OF THE "QUEEN MARY" AND "QUEEN ELIZABETH" TO TRANSPORT UNITED STATES MILITARY PERSONNEL DURING WORLD WAR II

The necessity of pooling American and British shipping was recognized as soon as the United States entered World War II. A report of the Joint United States-British Planning Committee to the heads of the two Governments, at the beginning of their conference in Washington in December 1941, stated: "No major overseas operations can be performed by the United States unless adequate shipping is immediately made available for preparation as troop transports.[1]

[1] The Transportation Corps: Responsibilities, Organization, and Operations. Published by the Office of the Chief of Military History, United States Army, Washington, D. C. 1951.

Ocean transports unquestionably was one of the major "services" contemplated for exchange under the British master agreement which was executed on February 23, 1942, to implement the Lend-Lease Act of March 11, 1941.[3] It was a two-way exchange from the beginning, each side contributing vessels which were physically well adapted or suitably located to fulfill specific requirements in a common cause. In this exchange the British gave the more heavily of troop-carrying capacity, because of the assignment of their largest passenger liners to the service of the United States Army in the North Atlantic, and the United States gave the more heavily of cargo-carrying capacity, by virtue of its tremendous freighter and tanker construction programs. In addition to transportation, the lend-lease and reciprocal aid (reverse lend-lease) agreements covered all expenses, except pay and allowances to crews, incurred by vessels of either nation in the ports of the other nation, or in other approved areas. Under the so-called knock-for-knock agreement each government waived all claims against the other on account of loss or damage of vessels or cargo due to the acts of the other government or its agents.[3]

The *Queen Mary* and the *Queen Elizabeth*, because of their great size and speed, were of utmost importance in the movement of American troops. After a brief period of service in the Pacific, they served mainly in the North Atlantic despite the submarine menace. In February 1942, when the *Queen Mary* first embarked American troops in the Pacific, her capacity was about 8,200.[4] The President was reluctant to place so many men on a single ship, but approved an urgent recommendation of the Army that this be done, because of the extreme need of troop lift to Australia. By April the capacities of the *Queen Mary* and the *Queen Elizabeth* had been increased to 9,500 and 10,500, respectively.[5] General Gross, Chief of Transportation for the Army during World War II, was of the opinion that American methods of troop fitting should be applied so that the vessels could carry about 15,000. The British did not at once fall in with the idea, but further negotiation resulted in agreement and during the summer months, the "*Queens*" frequently carried passengers approximating that number on transatlantic voyages.[6]

During the heavy movement of troops to the European theater almost the entire space on eastbound transatlantic British sailings was assigned to the United States Army. About 21 percent of the troops embarked at United States ports throughout the war were embarked on vessels under the control of the British Ministry of War Transport. During the year 1944 the number of troops so transported rose 28.2 percent.[7]

During the period from June 4, 1942, to October 9, 1945, the *Queen Elizabeth* carried eastbound 364,178 United States Army personnel and 11,962 other personnel. During this same period the *Queen Elizabeth* carried westbound a total of 104,368 United States Army personnel and 8,337 other personnel. During the period between November 5, 1942, and January 3, 1946, the *Queen Mary* carried eastbound a total of 353,939 United States Army personnel and 11,749 other personnel. During the same period the *Queen Mary* carried westbound a total of 155,716 United States Army personnel and 7,556 other personnel. The 2 ships have carried a total of 1,017,805 passengers during World War II of which 938,201 were United States Army personnel.[8]

The United States Army also took early steps to forestall withdrawal of foreign vessels from United States military service immediately after the termination of hostilities, in order to avoid delay in the repatriation of American troops. General Gross was desirous not only that the British and other foreign-flag transports should continue in troop service but that they should remain under the control of the Combined Chiefs of Staff and available for both American and British military movements. The British Ministry of War Transport did not agree on the latter point, and a British spokesman on the Combined Military Transport Committee stated that this was a question which would have to be settled between the Prime Minister and the President.[9]

No definite agreement on this subject had been reached by V–E Day, but the discussion was revived soon thereafter. Early in June 1945 the United States Army requested the British to reconsider their reallocation of westbound troop

[3] Ibid., 220.
[3] Ibid., p. 221.
[4] Ibid., p. 224.
[5] The Transportation Corps, op. cit., p. 224.
[6] Ibid.
[7] Ibid., p. 224.
[8] Memorandum Relative to the Operation of the "*Queens*." (See enclosure (1).)
[9] The Transportation Corps, op. cit., p. 226.

space for that month, and allocation which greatly reduced the amount available to Americans returning from Europe and increased that assigned to Canadian personnel. This was followed by a War Office announcement that the *Queen Mary*, the *Queen Elizabeth*, and the *Aquitania* would be devoted to the transportation of United States troops from British ports up to the end of 1945. The United States agreed to allocate 10 Victory-type and 2 other small troopships to the British in partial compensation.[10]

Early in October 1945 the Prime Minister informed the President that he would be unable to justify to the British public the further use of their biggest ships for United States troops repatriation unless an "equivalent lift" could be provided for British use. There was a difference of opinion as to what would constitute an equivalent lift, and General Gross stated that he would prefer to release the large British liners, which were available only for the North Atlantic, rather than give up the services of the number of smaller and more flexible ships which the British desired. The Joint Chiefs of Staff then agreed that only 1 of the 3 British vessels (the *Queen Mary* subsequently was designated) should continue in United States repatriation service and that the other 2 should be released. In December arrangements were made for further use of the westbound voyages of the *Queen Mary* until April 1946, primarily to carry British war brides of American soldiers and their children to the United States, and for the 10 United States Victory ships to continue in British service for a like period.[11]

The shipping attache of the British Embassy stated that it would be difficult if not impossible to determine accurately the cost of operating the "*Queens*" during the war for the following reasons: [12]

1. The ships' companies' wages were paid for by direct appropriations from the British Admiralty and/or the Ministry of War Transport.

2. Supplies, maintenance, repairs furnished in the United Kingdom were, in some cases, charged against direct appropriations of the Admiralty and/or the Ministry of War Transport and, it is understood, in some cases, against reciprocal aid.

3. Supplies, maintenance, repairs furnished in the United States (except troop victualing expenses) were generally furnished under lend-lease.

4. The food for subsistence of United States Army personnel en route, eastbound, when furnished in the United States was charged against United States War Department appropriations. The subsistence of United States Army personnel en route, westbound, was, in part, charged against the United States War Department appropriations to the extent furnished by the United States Army and, in part was charged against reciprocal aid to the extent furnished by the United Kingdom.

It appears from the records of the Treasury Department regarding arrangements by the United States and United Kingdom for the use of the "*Queens*" subsequent to September 2, 1945, that the British purely for accounting purposes set up an arbitrary charge of £20 ($80.70) per man. It appears reasonable to believe that this accounting rate is the basis for the reports so frequently heard that the United States paid the British approximately $100 per man while transporting United States personnel on the "*Queens*" during the war.[13]

Mr. Huntington Morse in a memorandum to Maritime Administration, Vice Adm. E. L. Cochran, dated June 30, 1952, stated that he had found a memorandum and confirmatory correspondence dated January 1946 with the British Merchant Shipping Mission, Washington, which indicated that the charge on the *Queen Mary* approximated $1,600,000 per month and that this was the estimated cost of operation of the 10 Victories which were made available to the United Kingdom.[14]

(Enclosure 1)

MARCH 24, 1949.

MEMORANDUM RELATIVE TO THE OPERATION OF THE "QUEENS" DURING WORLD WAR II—(a) NUMBER OF PERSONNEL CARRIED, AND (b) COST OF SUCH CARRIAGE

There is set forth immediately below the statistics as furnished by the Army on the carriage of personnel on the North Atlantic. The figures do not include

[10] Ibid.
[11] The Transportation Corps, op. cit., p. 227.
[12] Memorandum Relative to the Operation of the "*Queens*." (See enclosure (1).)
[13] See enclosures 2, 3, and 4.
[14] Operations of the "*Queens*" during World War II. (See enclosure (4).)

one trip of the *Queen Elizabeth* from the east coast of the United States to the South Pacific:

| | | *Total personnel carried* |
|---|---|---|
| (*a*) Number of personnel carried: | | |
| Grand total (938,201 Army) | | 1,017,805 |
| Vessel: | | |
| *Queen Elizabeth* (June 4, 1942 to Oct. 9, 1945) | | 488,845 |
| Eastbound | 376,140 | |
| U. S. Army | 364,178 | |
| Other | 11,962 | |
| Westbound | 112,705 | |
| U. S. Army | 104,368 | |
| Other | 8,337 | |
| *Queen Mary* (Nov. 5, 1942 to Jan. 3, 1946) | | 528,960 |
| Eastbound | 365,688 | |
| U. S. Army | 353,939 | |
| Other | 11,749 | |
| Westbound | 163,272 | |
| U. S. Army | 155,716 | |
| Other | 7,556 | |

(*b*) Cost of such carriage: The shipping attaché, British Embassy, states that it is difficult, if not impossible, to determine the "cost" of operating the "*Queens*" during the war for the following, among other, reasons:

(1) The ships' companies' wages were paid for by direct appropriations from the British Admiralty and/or the Ministry of War Transport;

(2) Supplies, maintenance, repairs furnished in the United Kingdom were, in some cases, charged against direct appropriations of the Admiralty and/or the Ministry of War Transport and, it is understood, in some cases, against reciprocal aid;

(3) Supplies, maintenance, repairs furnished in the United States (except troop victualing expenses) were generally furnished under lend-lease;

(4) The food for subsistence of United States Army personnel en route, eastbound, when furnished in the United States was charged against United States War Department appropriations. The subsistence of United States Army personnel en route, westbound, was, in part, charged against the United States War Department appropriations to the extent furnished by the United States Army and, in part was charged against reciprocal aid to the extent furnished by the United Kingdom.

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(Enclosure 2)

OFFICE MEMORANDUM, UNITED STATES GOVERNMENT

JUNE 30, 1952.
A1 6-4:102

To: 100.
From: 102.
Subject: Operation of the *Queens* during World War II.

Supplementing memorandums of June 2, 1952, and March 24, 1949, in looking over British lend-lease and British general files, January 1945 through December 1947 (1B-66),[1] I find a memorandum and confirmatory correspondence in January 1946 with the British merchant shipping mission here in Washington which deals with the offset arrangement between the United States and the United Kingdom mentioned in the fifth paragraph of my memorandum of June 2. This indicates quite clearly that at that time the charge on the *Queen Mary* approximated

[1] Referred to as commissioners job 50-91.

$1,600,000 per month and that our best estimate of the cost of operation of the 10 Victorys made available to the United Kingdom approximated the same figure.

HUNTINGTON T. MORSE.

cc: 762(2)
Noted:

E. L. COCHRANE,
*Administrator.*

JUNE 30, 1952.

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(Enclosure 3)

JUNE 2, 1952.

MEMORANDUM OF MR. MORSE'S TELEPHONE CONVERSATION WITH MRS. PAYTON, TREASURY DEPARTMENT, (CODE 172, EXTENSION 2853) TODAY

Mr. Morse told Mrs. Payton he was trying to run down some information on final arrangements made on the *"Queens"* for troop carriage and actual offset, i. e., what final settlement figures were. Further that he understood from Mr. Murphy in State that she had a memorandum of an arrangement which we made on the *Queen Mary* covering the period from September to December 31, 1945, perhaps extended to January.

Mrs. Payton said she had a report from the British which Treasury used to record charges in their records on offset arrangements. She said the *Queen Mary* was engaged in carrying troops from November 5, 1942, to January 3, 1946. The statement she has is dated December 31, 1945, but includes the voyage of December 27, 1945, to January 3, 1946.

Mr. Morse said that he was anxious to get two figures, as he recollected it, our arrangement for the continuance of the *"Mary"* after lend lease went off (September 1945 but extended for 60 days on shipping) talked about giving them a couple of French ships in addition to 10 Victorys blown up for troops.

To this Mrs. Payton said that there was a footnote on the statement she referred to under the *Queen Mary* deducting from the total charges on this statement 45,996 personnel being subject to special arrangements between the *Queen Mary* and *Marechal Joffre* exchange. The number of personnel carried from November 11, 1945, to January 3, 1946, was 45,996 United States citizens.

Mr. Morse said as he recollected it for accounting purposes about £20 per man or $80.70 was used.

Mr. Morse said he had figures showing the carriage of 528,950 people for us by the *Queen Mary*.

Mrs. Payton said her statement showed a summary of charges for services and supplies rendered United States forces from September 2, 1945, to December 31, 1945, listing two vessels, the *Queen Elizabeth* and *Queen Mary*, giving a breakdown of personnel by Army, Navy, Marine, Field Service, etc., totaling 133,743. Deducted personnel carried in *Queen Mary* from November 1, 1945, being subject to special arrangement, 45,996, leaving a total of 87,747, at £20 per head.

Mr. Morse then asked Mrs. Payton if they had final settlement figures between United States and United Kingdom for the use of the *"Queens,"* what was the actual offset figure and how as the settlement worked out. She replied that she had not come across it yet but would endeavor to obtain this information for him although it was like "looking for a needle in a haystack."

Enclosure 4

To: 100. JUNE 2, 1952.
From: 102. A16–4: 102
Subject: Operation of the *"Queens"* during World War II.

Attached please find memorandum furnishing information on subject matter as of March 24, 1949. There follows additional pertinent information:

The troop-carrying capacity of the two *"Queens"* (as originally converted for wartime uses) was: the *"Elizabeth,"* 11,027; the *"Mary,"* 10,595. However both of these vessels could and did carry, on special voyages, approximately 15,000 and this was so when they were employed for repatriation purposes.

As the attached memorandum indicates, the employment of the *"Queens"* for the carriage of United States personnel was handled under lend-lease and reciprocal aid (reverse lend-lease) arrangements. There was no exchange of funds between the Governments on this shipping phase of lend lease.

The termination date for lend lease between the United States and the United Kingdom was September 2, 1945. However, both the *"Queens"* continued to carry some United States personnel during the period between September 2 and December 31, 1945, and the employment of the *Queen Mary* for this purpose extended through the first part of January 1946. The total United States personnel carried by both the *"Queens"* between September 2, 1945, and January 1946 was 118,045. The arrangements made for the continued use of the *"Queens"* was done at the request of the United States military.

The use of the *Queen Mary* between November 2, 1945, and January 1946, during which time she carried 45,996 United States personnel, was in accordance with a special "offset" arrangement between the United States and the United Kingdom by which the United States agreed, in consideration of the continued carriage of United States personnel by this vessel, to make available to the British the use of 10 Victory ships which had been converted to carry approximately 1,500 personnel per ship, and two French vessels, namely the *Athos* and the *Marechal Joffre*. Under this arrangement the British used the Victory ships for repatriation of Empire personnel to and from the Far East. There is no evidence that either of the French ships was used. I am advised that this special agreement worked out as a complete offset or washout and no charges or accounting under lend lease or otherwise were made.

However, it appears from records now in the Treasury Department regarding the arrangements between the United States and the United Kingdom for the use of the *Queens* subsequent to September 2, 1945, that the British, purely for accounting purposes on the remaining 72,049 United States personnel carried by the *Queens* during this period (118,045 less 45,996 carried by the *Queen Mary* under the offset arrangement), set up an arbitrary charge of 20 pounds ($80.70) per man. It appears reasonable to believe that this accounting rate is the basis for the reports so frequently heard—that we paid the British approximately $100 per man for transporting our personnel on the *Queens* during the war. I have been unable to obtain any evidence, however, in support of a conclusion that this arbitrary charge set up for accounting purposes during the period subsequent to the termination of lend-lease arrangements was used for similar accounting purposes in connection with the overall settlement for the period lend-lease was in effect. In fact, the lend-lease and surplus property staff of State Department believe that it applied only to the period following the termination of lend-lease because the United States stopped making repairs, furnishing supplies and bunker oil to the *Queens* when the lend-lease arrangements were terminated.

The information furnished in this memorandum has been obtained partly from our records, partly from conversations with representatives of the Treasury Department and of the lend-lease and surplus property staff of the State Department. I believe that it is reasonably accurate and, to a considerable degree, it conforms with my own recollection. I have been unable so far to obtain information of any pertinence with regard to the overall lend-lease settlement between the United States and the United Kingdom which would be of value with respect to the subject matter under discussion.

Attachment.

HUNTINGTON T. MORSE.

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(Enclosure 5)

JULY 15, 1952.

Memorandum for file.

Subject: British Passenger Ships *Queen Mary, Queen Elizabeth* Operations During World War II.

In connection with a broadcast made by the Secretary of Commerce on July 2, 1952, an effort was made to determine the relative cost of transporting troops in the steamship *United States*, one of our war-built P–2 type troopers, and in the British *"Queens."*

In connection with the *Queens*, it was clearly established that actual payments were not made but that American troops were carried in those vessels on a reverse lend-lease basis, estimated costs of which were ultimately set off in settling the lend-lease accounts.

In all cases it has been assumed that subsistence for American troops was provided by the Army directly and estimated at an average figure of $1.50 per man per day.

It also appears reasonably well agreed that the cost of operating the *Queens* in the transatlantic run as troopers, excluding passenger subsistence, ran approxi-

mately $1,600,000 per month per ship. At the maximum capacity of 15,000 troops the cost per man per voyage for transportation only, at a speed of about 30 knots, therefore is estimated at $53.30 (see note 1) assuming ship full one way, empty other.

In the steamship *United States*, with a capacity of 14,000 men and an average cost of operation, excluding subsistence of passengers, as a trooper of $1 million per month, at a speed of 32 knots, cost per man per voyage would be $33.30 (see note 2).

In the war-built P–2 troopers having a capacity of 5,250 troops and an average cost of operation of $295,000 per month, cost of transportation only, at a 20-knot speed, is estimated at $38.50 per man per passage (see note 3).

The offset figure finally calculated for the *Queens* seems to be well established at £20 per man per transatlantic voyage or $80 on the basis of a 15-day round trip.

E. L. COCHRANE,
*Maritime Administrator.*

NOTE 1.—2 voyages per month $\times$ 15,000 = 30,000 men per month

$$\frac{\$1,600,000}{30,000} = \$53.30 \text{ per passage}$$

NOTE 2.—2 voyages $\times$ 14,000 $\times \frac{32}{30}$ = 30,000 men per month

$$\frac{\$1,000,000}{30,000} = \$33.30 \text{ per passage}$$

NOTE 3.—1.5 voyages $\times$ 5,250 = 7,675 men per month

$$\frac{\$295,000}{7,675} = \$38.50 \text{ per passage}$$

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[Enclosure 6]

AUGUST 5, 1952.

MR. FILLMORE HYDE,
*New York University, Office of Publications and Printing,*
*Washington Square, New York 3, N. Y.*

DEAR MR. HYDE: In your letter of July 8 you asked about the cost to the United States of transporting troops on the *Queen Mary, Queen Elizabeth*. The following information has been furnished me by the Maritime Administration in the Department of Commerce and may prove helpful to you in answering your Canadian correspondent.

During the buildup of American forces in Europe prior to the Normandy invasion, the British made the *Queen Mary, Queen Elizabeth* available for transport of American troops on a general "reverse lend-lease" understanding. This country contributed much of the maintenance of the ships and provided subsistence for the embarked troops. Actual exchanges of funds or even of accountings, however, were not involved during this period.

Toward the end of the war and in the demobilization period an effort was made at accounting so that offset charges could be set up in balancing the overall lend-lease account between the two nations. I am advised that the offset figure for accounting purposes was taken at approximately £20 sterling per man. Since more than 1 million men were transported, the total offset charges were well up in the tens of millions of dollars. The figure of $100 per man was derived from using the old exchange rate of $4.80 per pound. Since exchange at the time was $4.03, a figure of $80 per man would be more nearly correct.

Incidentally, may I compliment you on your Reader's Digest article.

Sincerely yours,

CHARLES SAWYER,
*Secretary of Commerce.*

Maritime Administration,
ELCochrane/hej 7/21/52.
Rewritten: Henry Scharer 7/28/52.
cc: Administrative officer, signer's copy, Maritime Administrator, room 4842, general files, Maritime Administration, room 4067.
Mailed August 5, 1952, by HS.

Senator POTTER. Admiral, yesterday you were asked about our experiences during World War II in regard to the availability of allied shipping to us and to the extent we furnish shipping facilities to our allies. You gave a very clear answer as to the cooperation arrangement between our allies.

If you would bear with me, I would like to take this opportunity to read just a paragraph from Winston Churchill's book The Hinge of Fate, which I think gives a pretty good picture that that cooperation did exist. This is on page 199 of his book.

> Shipping was at once the stranglehold and sole foundation of our war strategy. With the entry of Japan into the war, the strength of the Anglo-American military effort depended almost directly upon the replacement of our shipping losses by new production. During the first 6 months of 1942 the sinkings of British and American vessels were nearly as heavy as for the whole of 1941, and exceeded the whole shipbuilding program by nearly 3 million tons. At the same time the demands of the American Army and Navy increased enormously. But already in March the United States building program for the following year was raised to 14 million tons. By May 1942, the Americans balanced their current losses with new ships. It was only late in August that this goal was achieved by the Allies as a whole. Another year elapsed before we could replace all our earlier losses. In spite of increasing American commitments, we were allowed to retain in our service nearly 3 million tons of American cargo and tanker shipping. Even this generous decision on the part of the United States did not make up for the mounting casualties in the British Merchant Navy.

He goes on to say—

> The whole scene was soon to receive a brighter light from the first American naval victories over Japan in the Pacific, and all sea problems were eventually to be solved by the stupendous United States construction of merchant vessels.

I think that bears out the testimony you gave, that even with all the fine cooperative effort with the British merchant fleet and ours combined, there was still a great lapse there, which in another emergency may not be working in our favor.

Admiral WILSON. That, of course, is the philosophy that is behind the statement contained in my statement of yesterday, that we should place maximum reliance on the defense of the United States in an American-flag merchant marine.

Mr. DREWRY. Your statement as to sizes, composition, and so on, are directed to that alone, not to any supporting effort that we might be called upon to make?

Admiral WILSON. That is correct.

Senator POTTER. Admiral Wilson, I want to thank you for your most cooperative effort. I know the maritime industry and the people who recognize the situation, know the merchant marine is an arm of our national defense, and will be most appreciative for your efforts, for the first time in a long time, to give us the military needs of our merchant marine.

I know a lot of work has gone into this. I sincerely hope this is a continuing effort. We want to assure you this committee will work with you. We are not after anyone. We are seeking information. I think it will be a great help to the merchant marine to have spelled out just what are the requirements for national defense of the merchant marine. Thank you kindly.

Admiral WILSON. Thank you, Senator. It has been a privilege and a pleasure to be here.

Senator POTTER. We had intended that Under Secretary Murray of the Department of Commerce would be the next witness. He is

in Europe. As you know, the Department of Commerce has been stricken with illness, and they prefer to wait until a later date to submit their recommendations to the committee.

We are fortunate this morning in having Mr. James Farrell, who is president of Farrell Lines, present. Mr. Farrell will present a statement not only in his own behalf but in behalf of all the subsidized lines. Mr. Farrell, we are most appreciative of the fact that you yourself have taken the interest you have to give us the benefit of your thinking on this problem.

## STATEMENT OF JAMES A. FARRELL, Jr., PRESIDENT, FARRELL LINES, INC.

Mr. FARRELL. Thank you very much, sir. As you know, I have a prepared statement. As you wish, I would like to invite your interruption for questioning, or at the end, as you prefer.

Senator POTTER. Thank you kindly.

Mr. FARRELL. I will first identify myself, although you have been kind enough to do so. My name is James A. Farrell, Jr. I am president of Farrell Lines, Inc. I am appearing here on behalf of the following 14 steamship companies which are members of the Committee of American Shipping Lines Serving Essential Foreign Trade Routes: American Export Lines, Inc.; American Mail Line, Ltd.; American President Lines, Ltd.; Farrell Lines, Inc.; Grace Line, Inc.; Lykes Bros. Steamship Co., Inc.; Mississippi Shipping Co., Inc.; Moore-McCormack Lines, Inc.; New York & Cuba Mail Steamship Co.; Pacific Argentine Brazil Lines, Inc.; Pacific Transport Lines, Inc.; Seas Shipping Co., Inc.; The Oceanic Steamship Co.; United States Lines Co.

### SUBJECT MATTER

My subject concerns the strengths and the weaknesses of the American merchant marine of today. I shall leave to later witnesses to deal with the question: What should be the attainable size and the composition of the American merchant marine in the future? While I shall touch on the total picture as it now is, I shall not discuss in detail the situation as it concerns the ships in domestic commerce or the tanker fleets, although some statistics I have with me do bear on that.

I shall devote most of my discussion to the dry-cargo and passenger ships engaged in foreign commerce. My object will be to analyze for you, qualitatively and quantitatively, this segment of the present-day American merchant marine which is serving the foreign trade of the United States, that is, the fleet in being.

### NATIONAL DEFENSE ASPECTS

For obvious reasons, it will be unnecessary for me to deal with the requirements of national defense, which has been very well put to you by Admiral Wilson, except so far as it may concern the operation of our merchant fleet.

I would like to interpolate here that perhaps Admiral Wilson did not stress one defense aptitude of the fleet, which is for the essential trade route carrier to bring to this country during the time of war

the basic essential war materials to keep our domestic and wartime economy in motion.

I assume there is general agreement that the commercially operated ships can never suffice to fill the needs of national defense in times of war. I further assume that a strong and modern, privately owned merchant fleet must form the nucleus for national emergency needs, and consequently the indispensable fourth arm of our defense. I limit myself to pointing out that the most economical method of furnishing some such nucleus is by fostering an active and efficient merchant marine. The fact that we spent for ship constructing $4 billion during World War I and $12 billion during World War II is sufficient evidence of the need for maintaining the best possible merchant marine. The fact that we spent for ship construction $4 never allow our merchant marine to sink to the low state that it did in the early 1900's and again in the early 1930's. As a result of the working of the Merchant Marine Act of 1936, our situation was incomparably better at the outbreak of World War II than it was at the commencement of World War I.

With these preliminary observations, let me return to an analysis of the strengths and the weaknesses of our present-day merchant marine.

Senator POTTER. Can I ask this question? Will the Mariners be used for commercial purposes?

Mr. FARRELL. It is difficult to answer that question categorically. the Mariner is structurally and mechanically a very good ship. She is too big for ordinary commercial purposes.

Her cost, and any estimate of her reduced cost under construction differential that I have yet seen, is too high to earn enough to sustain her fiscal charges for interest, depreciation, overhead, and insurance. Furthermore, her daily fuel oil consumption is extremely high. Strictly from a comparable commercial purpose, the ship will not produce the results a C–3 will produce.

Senator POTTER. I was interested in Admiral Wilson's statement. He wasn't speaking, I don't believe, of necessarily the Mariner but of other ships. He spoke of the requirement for quite a high rate of speed, which might not be necessary for commercial use. With your speed you have increased cost in operation?

Mr. FARRELL. An increased capital cost.

Senator POTTER. He made a statement that it wouldn't be necessary to operate these ships for commercial use at the speed that would be required for defense purposes. Is there still quite a cost item there in operating, even if you don't utilize all the speed the ship has?

Mr. FARRELL. There is, Senator, although the answer I am afraid is a pretty technical one. It is that a ship is designed with stated speed. The horsepower to produce that speed is installed. Capital costs increase as horsepower is increased. They don't increase on a straight line. They increase with a logarithmic curve. In addition whenever you run a powerplant, be it ashore or at sea, at lower than its rated speed, you are perhaps saving fuel, but you are losing efficiency.

Senator POTTER. I was interested in that point. I am sorry to interrupt you at this point.

Mr. FARRELL. I am glad of the question.

STRENGTHS OF OUR PRESENT MERCHANT MARINE

It should be obvious that its strength cannot be measured merely in number of ships. We must look critically at the quality of those ships. We must take into account the trained personnel who man the ships and the trained organizations that direct their operations. We must add the skills of shoreside facilities and the skills of shipbuilding and ship-repair yards to the appraisal of our merchant marine.

The American merchant fleet employed at the present time in the foreign and domestic commerce of the United States—by that I mean at sea and not in lay-up——

Senator POTTER. This is the private merchant marine? Are you including in this MSTS?

Mr. FARRELL. No, I do not. This is the commercially owned fleet, privately operated.

The fleet at the present time consists of 791 large vessels of all types, having an aggregate tonnage of 8,403,000. Of this total, I would classify 625 vessels, having a total tonnage of 6,643,000, or 79.1 percent, as being good commercial vessels. This leaves 166 vessels with a total tonnage of 1,760,000, or 20.9 percent, as being already obsolete. The details of this analysis are shown in the attached schedule I, from which you will note that the one-fifth of the present merchant fleet which is already obsolete consists principally of the Liberty-type vessels.

I would like to call your attention to the fact that when I use tonnage applying to cargo vessels and combination cargo vessels, I use deadweight tonnage, and when concerning passenger ships it is gross tonnage.

Now, let us further analyze that segment of our merchant fleet employed in foreign commerce and consisting of dry-cargo and passenger vessels. I will not deal further with the tanker fleet or with ships engaged in domestic commerce. The privately owned dry-cargo and passenger fleet in foreign commerce consists of 629 ships, having a total tonnage of 6,767,000. The details are shown in the annexed schedule II. You will note therefrom that the subsidized lines own 289 ships, having a total tonnage of 3,115,000, and that all of them consist of modern vessels. On the other hand, nonsubsidized companies own 340 ships, having a total tonnage of 3,652,000, of which only 144 ships of 1,509,000 tons, or 41.1 percent, are modern, and the remaining 196 ships of 2,143,000 tons, or 58.7 percent, consist of Liberty-type and other obsolete type vessels.

Eliminating those obsolete ships, we have the following situation in the foreign trade:

*Modern ships*

| | Number | Tons | Percent |
|---|---|---|---|
| Subsidized lines | 289 | 3,115,000 | 67 |
| Unsubsidized companies | 144 | 1,509,000 | 33 |
| Total | 433 | 4,624,000 | 100 |

The details of the above are shown in the annexed schedule III.

The influence of the Merchant Marine Act of 1936 is quite evident. The subsidized lines own and operate the great bulk of the modern

dry-cargo and passenger vessels; and they do not own or operate any old or obsolete vessels, for the simple reason that such do not qualify under the act. On the other hand, most of the unsubsidized companies, which own and operate modern vessels, fall into three principal categories: (1) Institutional carriers such as those serving the Aluminum Company of America, United States Steel Co., and United Fruit Co.—excellent companies with excellent fleets doing an excellent job—(2) companies which are ineligible, because they directly or indirectly own or operate foreign-flag tonnage, and (3) companies which are ineligible because they are unable or unwilling to confine their business to shipping. The details of the foregoing are shown in the annexed schedule IV.

Mr. DREWRY. By "ineligible" you mean?

Mr. FARRELL. They are ineligible either through age, speed, or lack of safety requirements.

Mr. DREWRY. Ineligible to qualify under the 1936 act for a subsidy?

Mr. FARRELL. Yes, Mr. Drewry. Another strength of the present-day merchant marine is found in the statutory reserve funds, which the subsidized lines are required to maintain under the 1936 act. Those funds, under joint control with the Maritime Administration, aggregated $165 million at December 31, 1951, and are available for purposes of vessel replacement, to permit continued operation during lean years, and for other statutory purposes. The act encourages accumulation of capital, which is available for ship replacements. As a result, the stockholder equities of the subsidized lines has grown to $450,418,000, which represents about 18.8 percent of their future replacement requirements as estimated by the Maritime Administration. (See Department of Commerce Report to the President, dated November 1, 1952.) I do not endorse the replacement program then put forth, but this is a computation sustaining it. I know of no comparable accumulation in the hands of the unsubsidized lines.

It is quite apparent, therefore, that the great strength of the dry-cargo and passenger fleet employed in foreign commerce, lies in the vessels owned and operated in conformity with statutory requirements of the Merchant Marine Act of 1936. During the 15 years since the inception of the act, the fleets of the subsidized lines have grown from 171 older vessels in 1937, to 289 modern vessels by the end of 1952. That growth is a great deal more than a numerical growth. It is a growth in class, speed and newness.

During the same period, the increase in yearly carrying capacity of the subsidized fleet has about tripled, having grown from 4,600,000 deadweight tons in 1937 to more than 13 million deadweight tons in 1953. Their annual capacity for transport has been even more greatly enlarged by increased speed, permitting more voyages per year. The only passenger vessels built in the United States since World War II have been for subsidized lines, including the steamship *United States*, the steamship *Independence*, and the steamship *Constitution*, which we could class as the queens of the American merchant marine.

All of this has been accomplished at a relatively low cost for operating-differential subsidies. I would like to emphasize the next paragraph because of an exchange that took place on the Senate floor last week. On June 4, 1953, the impression was left that only 1½ percent of such subsidies have been recaptured by the Government from the operators' profits. The fact is that during the first 10-year period

(1937–46), about 63 percent of all operating subsidies were repaid to the Government. During the second 10-year period now in progress, the accrued recapture stands at about 33 percent. If business gets better, that accrual will increase; if it gets worse, it will decrease.

Senator POTTER. Is that recaptured every year?

Mr. FARRELL. No, at the end of a 10-year accounting period, although it is constantly offset by the withholdings of the Maritime Commission.

Senator POTTER. I am very happy you brought this out, Mr. Farrell, because there is in the minds of a great many people that the operation of the subsidy program benefits just the owners of the lines, and that huge profits are being made. It allows demagoguery to run wild. I am very happy to have you say that.

Mr. FARRELL. Thank you, Senator. For the entire 14-year period from 1937 through 1951, inclusive, the facts are as follows:

| | |
|---|---|
| Gross amount of subsidy (100 percent) | $258, 550, 000 |
| Less: Recapture paid and accrued (43 percent) | 111, 392, 000 |
| Net cost to Government before application of taxes (57 percent) | 147, 158, 000 |

The details are shown in the annexed schedule V. Excluding the 4 war years when subsidies were suspended, the net payments and accruals have averaged $14,716,000 per annum. If the war years were included, that figure would be in the neighborhood of $10 million.

The construction-differential subsidy during the same period (1937–52) has amounted to $88,311,000, after eliminating amounts in respect of (*a*) vessels reacquired by the Government through requisition, or (*b*) adjustments under the Merchant Ship Sales Act of 1946.

As a condition of receiving subsidy contracts under the 1936 act, the owners were required to commit themselves to build a substantial number of vessels. The building program of the subsidized lines was to cost $165 million. (See Economic Survey of the American Merchant Marine, U. S. Maritime Commission, Nov. 10, 1937, p. 40.) When the Pearl Harbor attack occurred, these new vessels built or building for the subsidized lines, were pressed into service of the Nation. These vessels comprised the principal pool of privately owned, modern, fast passenger and freighter tonnage available under the American flag.

In summary, I would say that our present-day merchant fleet is the largest and best that has ever flown the American flag, and that result is attributable largely to the wisdom of the provisions of the Merchant Marine Act of 1936.

### WEAKNESSES OF OUR PRESENT MERCHANT MARINE

I do not wish to leave the impression, however, that all is well with our merchant marine, or that it is devoid of weaknesses. I would list 10 principal weaknesses, some of which are immediate and some of which are potential or relate to the future.

(1) Liberty-type ship: As already intimated, the greatest existing weaknesses lie in the Liberty ships. They are obsolete today, and I believe they were obsolete they day they were launched. They were war-built vessels, selected for emergency production because they were the only type we were prepared to produce in quantity. There

were no facilities for turning out turbines, and we had to revert to the 1900 practice of turning out reciprocating engines. They could be operated commercially after the war only because foreign fleets had been depleted and because our Government was furnishing enormous quantities of economic and commercial aid to Europe. The Liberty vessels would have disappeared by 1950, if the Korean conflict had not given them a short reprieve. The question of the obsolescence of the Liberty ship is not a matter of private opinion. I understand that the owners have obtained permission from the Treasury Department to write off their Liberty ships over a 5-year period, ending in most cases with December 31, 1951.

(2) Block obsolescence: The second, and perhaps greatest, weaknesses of our merchant fleet is its block obsolescence. The great majority of our present vessels were completed during or immediately after World War II. Eighty-three percent of all our privately owned tonnage was built during the period 1942 to 1946, inclusive, and only 9 percent was built since 1946. The foregoing figure includes dry-cargo ships, tankers, passenger-cargo vessels, and bulk vessels. The percentage of war-built dry-cargo ships is even higher, being 90 percent. Only in respect of passenger ships is the situation somewhat brighter, only 22 percent being war-built and a substantial 41 percent being postwar. That figure is a little misleading because the number of passenger ships are small but their tonnage is large. All of these figures refer to tonnages. This block obsolescence means that the great majority of our merchant vessels will reach 20 years of age and require replacement between 1962 and 1966. The problem of block obsolescence is serious, and must be met courageously, if the American merchant marine is not to lose its standing and this Nation is not to sink once more to a second-rate maritime power.

Senator POTTER. I recall in the debate on the Senate floor there was concern as to whether the 20-year period was the realistic period as to the life of a ship. Would you care to comment on that?

Mr. FARRELL. The 20-year period, depreciation 5 percent on a straight line, with a residual value, is an accepted accounting principle. The usefulness of a ship depends on circumstances and depends on the advance in the art of ship construction. There have been many old ships that have gone past 20 years of age which have been put through a special extended life survey at great cost on a rising freight market. You couldn't do that on a falling freight market. Also, the minute a ship is launched, between the fact that it takes so long to prepare the plans and build the ship, the art of shipbuilding has progressed. You not only have the depreciation, the wearing out, but you have the fact that you might be left with an inefficient tool because there might be a new development in engineering or hull form.

I think for a good rule some 20 years is all right. You still would have some kind of a ship at the age of 24 or 27 years, but whether she would be a commercial unit, I don't know.

Senator POTTER. Those ships are not scrapped. What happens to them?

Mr. FARRELL. Under the present law they could be traded in after 12 years of age, or I suppose they could be sold.

Senator POTTER. Take, for example, the Moore-McCormack Line. They have been approved by the Maritime Board for—I don't think

they have the money—to replace their 2 vessels or 4 vessels, have they not?

Mr. FARRELL. I think they intended to build 2 fine, big, new passenger ships to replace 3 nice old passenger ships.

Senator POTTER. What would Moore-McCormack do with those ships?

Mr. FARRELL. Their financial vice president is present. I wouldn't presume to answer for him. I presume they would trade them in.

Senator POTTER. To the Government?

Mr. FARRELL. That is what I would presume they would do.

## STATEMENT OF GERALD DONOVAN, VICE PRESIDENT MOORE-McCORMACK LINES

Mr. DONOVAN. I think I should make clear those ships are not owned by us. The present ships are on charter. When the charter terminates and the new vessels are introduced, the Government would have them as their own to do with them what they wish.

Mr. FARRELL. I am in error, sir.

Senator POTTER. You are chartering the ships from the Government?

Mr. DONOVAN. Yes. The present three are chartered from the Government. The new ones we presume to buy.

Senator POTTER. It is a point I wasn't familiar with.

Mr. DONOVAN. My guess would be they would be retired at that point. It would not be our decision.

Mr. FARRELL. The Government's standby fleet: The Government-owned standby fleet, which is a second line of defense in an emergency, is in even a more serious condition. Consisting as it does largely of Liberty- and Victory-type ships, it cannot be called a modern fleet, even today. The bright spot is the 35 Mariner-type vessels, but these are not commercially desirable at their high construction and operating costs. Some way should be found to incorporate them into the privately-owned merchant fleet; otherwise, they will present a serious competitive element under Government operation.

Senator POTTER. What are they going to do with those 35 Mariners if private operators are not interested in using them?

Mr. FARRELL. I don't believe, sir, you can make a categorical statement that private operators are not interested in them. Sometimes it is good business to buy something that isn't quite as good as you want, if the price is right. I think we have all had that in our homes and in our business.

Senator POTTER. How many Mariners did they have?

Mr. FARRELL. Seven in commission, and 28 under construction.

Senator POTTER. Are the seven that are in commission under charter?

Mr. FARREL. No, sir; they are not. The seven, as far as I know, are all operated by various steamship companies under general agency arrangements with the Federal Maritime Commission, and assigned to the Military Sea Transportation Service.

Mr. DREWRY. You say they will present a serious competitive element under Government operation. Do you mean by that there is

in contemplation an operation of them by the Government if they cannot find private commercial employment for them?

Mr. FARRELL. That was not my point, sir. My point was that if the ships are not assimilated into the privately owned merchant marine, we must presume they will remain with MSTS. We cannot presume they will go into the laid-up fleet. The Admiral said, this morning, that couldn't happen. The Admiral then said, this morning, they were not particularly desirable for certain military purposes because of their draft and length and size. So the only presumption I could make is that the MSTS would use them for the movement of military cargo which could, instead, move in regular berth shipping.

Senator POTTER. Was the industry consulted when the Mariners were being drafted as to their suitability for commercial use?

Mr. FARRELL. It is my understanding, sir, they were not.

Senator POTTER. It would seem to me that would be most desirable to have done that. The Defense Department will want to make sure they are advised, or their advice is sought, to make sure they have military value. I think it is reciprocal, also, that it is most desirable the industry advice be sought as to its commercial value.

Mr. FARRELL. Last week, in an appearance before a committee on the other side of Congress, I recommended when we get to the point of replacing our fleet there must be consultation and cooperation between the military, the administration, and private industry, in order that we obtain the ships which will satisfy all. No ship will satisfy each. Any ship must be a compromise ship.

A perfectly straightforward, commercial ship would not answer a military purpose; a straightforward military ship would not satisfy a commercial purpose. There must be joint cooperation and research.

Senator POTTER. I think that would be highly desirable.

Mr. DREWRY. On that point, there should not only be compromise, but in order to meet the military requirements of a ship, but when an individual operator, take your company, for instance, comes to the point of replacing any of its present fleet, that you would present your own thoughts as to commercial requirements for your particular trade and not rely on some kind of a further compromise such as a standard-type ship. Is it necessary to have a completely standard——

Mr. FARRELL. If you would like to know what my company did in that direction, I will be glad to tell you, because I think it exemplifies a private shipowner's approach.

We hope to build two new ships quite soon. We haven't got a contractual requirement. But we want to reduce the age of our fleet. We think we know what kind of a ship to use in South and East Africa. Perhaps it is conceit, but we think we are the people who ought to know. We have been there 26 years. We have set our ideas on paper, and we have employed Gibbs & Cox to design the ship. When that design is to our acceptance, we will submit it to the Maritime Commission. They undoubtedly will have requirements we wouldn't like in there. We may have to reduce some of our ideas.

Mr. DREWRY. Commercial requirements?

Mr. FARRELL. Yes. That will go to the Bureau of Ships of the Navy. They undoubtedly will want the ships to be faster or have different compartmentation. They may wish reinforcing, construction of gun platforms. Perhaps they will want some of the new de-

fense mechanisms. That, in our opinion, is not a commercial thing at all. That is a military thing. It is a naval requisite.

We would say we would go along with that if it just didn't ruin the commercial ship, if they would pay for it. I don't know whether that answers your question or not, Mr. Drewry.

Mr. DREWRY. It does, in part. But why has Maritime or the Department of Commerce a say as regards commercial requirements? Is it a question of cost, standardization, or what is it? The ship is going to be used by you. You will contract for the payment of it over its 20-year life, and agree to replace it at the end of the period.

Mr. FARRELL. I can't say specifically how they come into it, because I am not too familiar with the act. But certainly if they are involved under a construction loan, they have the same position that any lender has. He has some say as to what the property will be against which you will loan.

Mr. DREWRY. That is true. I just wonder how deeply they go, whether it was a matter of concern for their investment.

Mr. FARRELL. They have gotten progressively deeper into the picture over the years.

Senator POTTER. Has it been done for the purpose of reducing the cost of the vessel?

Mr. FARRELL. I don't know.

Mr. DREWRY. At the present time, the modern fleet which you speak of is comprised largely of the C–2 and C–3 type; isn't that correct?

Mr. FARRELL. That is correct.

Mr. DREWRY. They were built according to basic Maritime designs a number of years ago and, as I recall, consultation with the industry, but they were, nevertheless, standardized vessels, rather than an effort to meet individual trades.

I believe I recall at the time they initiated their so-called long-range plan of 50 ships a year they didn't have the customers for the 50 ships. I can understand it in that instance. But I don't understand now, where you have an individual operator with individual problems, why they should have anything to say about that, other than as to the question of cost.

Mr. FARRELL. I couldn't say, either. I think perhaps there are provisions in the 1936 act as to crew's quarters, as to safety provisions, which perhaps they are obligated under the law to control. I am not sure of that.

Mr. DREWRY. In designing your ship, you would follow those provisions of course?

Mr. FARRELL. We would certainly comply with all laws and would know the law as well as they do, we hope.

Senator POTTER. I would presume various trade routes have unique problems in themselves?

Mr. FARRELL. Absolutely.

Senator POTTER. And you, with your trade routes from here to South Africa, would try to construct your vessels to take care of those unique problems, where somebody in a run from here to France would have entirely different problems?

Mr. FARRELL. We have the situation within our own company. A ship which is suitable for South Africa is not suitable for east Africa,

and neither is the south African or east African ship suitable for west Africa, and we go to all three places. That is because of the depth of water, turning lengths in the river, and the character of cargo.

Mr. DREWRY. Wouldn't the question of development of new designs, new kinds of handling equipment, for instance, enter into that? Wouldn't there be more stimulation of the development of such methods if the individual could search the latest art itself rather than be frozen into what might be a preconceived notion that the Department of Commerce had?

Mr. FARRELL. I would feel very strongly that that is the way to do it. We couldn't possibly use a side-port ship in west Africa because of the surf.

We would like very much to have them in South Africa, where there are first-class, modern docks, docks newer even than there are in the United States, whereas in east Africa you have completely antiquated equipment with no shore facilities at all. It is just 3 different horses of 3 different colors.

Senator POTTER. That is a question we will take up with the Department of Commerce.

Mr. FARRELL. I hope they don't disagree with me too violently.

We come to the recrudescence of foreign fleets: Since the war, the foreign fleets have regained a large part of their strength. Foreign-flag vessels of all sorts, as of December 31, 1951, aggregated 53,559,000 gross tons, as against the American-flag privately owned total of 10,305,000 tons. Furthermore, about one-fourth—26 percent—of this foreign tonnage was constructed since the war, as against less than one-tenth— 9 percent— of the American-flag tonnage. Between January 1, 1947, and June 30, 1952, 2,241 ships—of 1,000 gross tons or over—were constructed in foreign yards, as against 47 in American shipyards. With lower construction costs and lower operating costs, the newer foreign-flag vessels can be expected to make substantial inroads on the cargoes heretofore carried by American-flag vessels. Immediately after the war, we carried about 55 percent of our total import and export cargoes, whereas today, the percentage is somewhere around 25 percent.

I would like to add the statement that this substantial reduction in American-flag participation has not been primarily on the liner berths. It has been primarily in the bulk movement of basic commodities, which have gone to foreign tramps.

Mr. DREWRY. On that 2,200 new vessels added to the foreign merchant fleets, was that construction concentrated in a couple of postwar years, or is it continuing?

Mr. FARRELL. No; it has been spread out. It began in 1946. In 1947 the foreigners built 320 ships, in 1948 they built 363 ships, in 1949 they built 415 ships, in 1950 they built 440 ships, in 1951, 468 ships, and in 1952, 470, and it is continuing to go up. The most recent increase is in the Orient, with the Japanese.

Senator POTTER. What are the countries that have been engaging primarily in that?

Mr. FARRELL. I haven't that broken down, but it is Great Britain, Holland, France, Belgium, the Scandinavian countries, Italy, and Japan. The South American countries have had a great expansion, but they haven't built the ships themselves. They have had them built in Europe.

The Germans are coming in very strongly at the moment. I could get you the figures country by country. I don't have them. It went in waves.

The first wave was Great Britain. The next wave was the Scandinavian countries. Then, when France's economy was restored, they began. And the Belgians did a little. The Dutch would have done more if they hadn't lost Indonesia. The Dutch are now engaged in a good deal of building ships for other people. Japan couldn't move until the occupation became civilian controlled.

Senator POTTER. This is the construction of new ships. The ships that we sold them, the war-built ships, are not included?

Mr. FARRELL. No, sir; they are not. We have some interesting figures to compare with these ships that run from 300 to 400 per year. In 1947 we built in this country 21 ships, in 1948 we built 9, in 1949 we built 3, in 1950 we built 5, in 1951 we built 7, and at the present time, for commercial uses, we are building 4.

Senator POTTER. It would be interesting to get the figures as to how much American money went into the rehabilitation of a shipbuilding program in these other countries.

Mr. FARRELL. I have that.

Senator POTTER. We would be interested to have that.

(The information referred to was not received at the time the hearings were printed.)

Mr. FARRELL. I had just finished saying to you that our percentage of carriage has dropped from 55 to 25 percent, and most of the decrease has been in the bulk cargo movement and not in the line of trade.

Now it is the American subsidization of foreign fleets:

### (5) AMERICAN SUBSIDIZATION OF FOREIGN FLEETS

A little-known fact is that the United States has subsidized foreign merchant marines about twice as much as the American merchant marine. During the period April 3, 1948, to December 31, 1951, inclusive, our assistance to the European merchant marine amounted to about $36,700,000 and to the Japanese merchant marine about $22,800,000, or a total of about $59½ million. During the same period the net operating-differential aid to the American merchant marine was $25,700,000.

Senator POTTER. Those are certainly revealing figures, aren't they?

Mr. FARRELL. Yes, sir.

Senator POTTER. I have said many times to American citizens who were seeking redress against Government that they would probably be further ahead if they would make their redress to a foreign nation. I am sure the Congress is much more liberal with citizens of a foreign nation than they are with our own people.

Mr. FARRELL. Sometimes it would appear that way, Senator.

Mr. DREWRY. Before you proceed, could you supply for the record the information on the breakdown by countries which Senator Potter spoke of?

Mr. FARRELL. I will attempt to.

Mr. DREWRY. If you can.

Mr. FARRELL. By number of ships and by dollars advanced from the United States?

Mr. DREWRY. Yes, sir. Also, this overall foreign shipbuilding program, break it down by countries. Is that available?

Mr. FARRELL. Yes; I think we can get that.

Mr. DREWRY. Could we have the tonnages, too?

Mr. FARRELL. You mean, tonnages, country by country?

Mr. DREWRY. If it is available.

Mr. FARRELL. It is available. I am sure the Bureau of Shipping can supply it. Mr. Fridlund tells me I have the information.

Senator POTTER. If you do not have it readily available, it would be all right to just submit it for the record, Mr. Farrell.

Mr. FARRELL. I have it nation by nation, Mr. Counsel. I will supply it. I have it year by year in tonnages by year.

I will submit, if you will receive it, a statement showing year by year, nation by nation tonnage.

(The information referred to was not received at the time the hearings were printed.)

Senator POTTER. How much shipbuilding is done in foreign yards by American companies?

Mr. FARRELL. Not very much lately. There are some American tanker companies and some American ore-carrying companies who have built abroad special-purpose, special-type ships. I think it has been mostly done by their foreign subsidiaries rather than their American parent corporation. Some of the ships have been built because there have been bloc currencies that would be repatriated that way. There are a great many tankers and a few ore tankers that have come into being that way. I don't know of any American companies. I would rather say, I know a few American companies who have acquired dry-cargo ships that way.

### (6) MSTS COMPETITION

Another serious weakness of the American merchant fleet is the competition to which it is subjected at the hands of our own Government. A bill is now pending in the House (H. R. 4665) to amend section 901 of the 1936 act to give preference to privately operated vessels in the transportation of Government cargoes and passengers. I think there is a companion bill in the Senate.

I refer you to the recent testimony before the House Merchant Marine Committee (May 27 to June 4, 1943) to show the extent and seriousness of the competition engaged in by the Military Sea Transportation Service. As I understand it, the MSTS wishes to operate its ships economically, and consequently carries large quantities of cargoes and large numbers of passengers that could and should move over private lines. We have no objection to the Government's carrying military cargoes to war areas. What we regard as serious is the operation of Government ships to move cargoes and passengers that could move by privately owned American-flag liners.

Mr. DREWRY. We will, of course, have the House record available eventually, but I wonder if you could give us the substance of that testimony at this point?

Mr. FARRELL. As I recall it, sir, it was Admiral Denebrink. He made a fine statement. He showed a very large amount of MSTS cargo that was transported by privately owned ships. I think he said 85 percent of their business was moved that way.

I think unfortunately he included in that figure the so-called GAA ships as private ships. They are, of course, not private ships. They are running for a small fee of $75 a day. But that isn't private business.

He then pressed on the point, as I recall it, and said, "Yes, there were occasions when there was MSTS cargo which could go forward on private berth ships or in private tramp ships, but was added to an MSTS ship in order to give the MSTS a full cargo so that the MSTS ship could show a decent operating record"; no matter, of course, what happened to the private ship.

I think that is the synopsis of the testimony, without the figures.

Mr. DREWRY. The General Agency ship, is the operation of them by the private companies noncompensatory?

Mr. FARRELL. I would say at best it is more or less a breakeven proposition.

Mr. DREWRY. On the question of passengers, to what extent do privately owned passenger vessels participate in the carriage of non-troop military passengers, such as dependents, and so on?

Mr. FARRELL. The MSTS competes extensively on this question of both cargo and passengers.

MSTS, when they are not loaded to capacity, take passengers and families, dependents of soldiers to Germany, as well as their household furniture and automobiles. The figure has been shown recently that the MSTS carried 1,000 automobiles per month to Germany. In addition, they carry representatives of the State Department, the Mutual Security Administration and other Government agencies.

According to Admiral Denebrink, all of this is done in the economical operation of MSTS ships, but it took away from the privately owned liners a large amount of cargo and passenger business that they think they should carry.

MSTS also admitted that the commercial lines who carry the business at lesser cost than could the MSTS, after taking into account military manning and depreciation on Government ships.

As competition for business is becoming keener, and with foreign-flag ships taking an increasing share of exports and imports, this problem of MSTS competition takes on an increasing importance.

I do not have first-hand knowledge of the cases, but I am told that the MSTS Mariner ships have taken cargoes that had tentatively been assigned to private carriers. I think there is great need to take the Government out of the shipping business, wherever commercial carriers do the job, and this applies to military cargoes as well as to civilian cargoes.

Otherwise, the military will be allowed to violate the spirit of the 1936 act which predicates a strong, modern, privately owned merchant marine to carry our foreign commerce in peacetime and to serve as military auxiliaries in time of war.

The incident I referred to about the Mariner I got further details on this morning. This was only one instance. It was one of the early deliveries of a Mariner, and the military wanted to know how she would perform, how she would carry cargo. So while the ship was intended ultimately for the Pacific, they ran her across to France and back with a cargo that could have been carried by a private ship, to see how the Mariner would work out.

Senator POTTER. Has a policy decision been made as to how far MSTS can go as far as taking cargo and passengers? Has a decision been made——

Mr. FARRELL. By whom?

Senator POTTER. That is what I am wondering. I don't know.

Mr. FARRELL. I think the declared policy of MSTS——

Senator POTTER. That is, their policy?

Mr. FARRELL. I think the declared policy of MSTS; as enunciated about 3 months ago at a briefing in the Pentagon by Admiral Denebrink was to give the private ship all the cargo that was available from MSTS, provided, first, the date and the space suited the MSTS, that the destination suited MSTS and that they didn't need the cargo for their own ships. It was a double-barreled answer.

Mr. DREWRY. At this particular time, Mr. Farrell, with Korea going on and our military commitments in Europe and elsewhere, aren't we in an emergency, a type of emergency envisaged in the 1936 act, that merchant shipping would be available for the use of the military?

Aren't they justified, when they can't use commercial ships, in using the General Agency ships or their own ships to as much capacity as possible?

Mr. FARRELL. They certainly are justified to use every means at their disposal to move support material for military operations and civilian relief in devastated military areas on any shipping they can lay their hands on, private or public.

Mr. DREWRY. I am intrigued by this 1,000 automobiles a month. It sounds like a pretty husky movement.

Mr. FARRELL. It would be a large commercial movement.

Mr. DREWRY. Would that be of interest to commercial operators? I think I have heard it said that type of cargo is not particularly attractive.

Mr. FARRELL. It depends on the space available on the berth ship at the moment. Certainly unboxed automobiles, which are hard to stow, and give you a great loss in your storage factor because you can't put anything above them, and not much around them, and very little below them, are not the best cargo.

On the other hand, if you have a combination of deadweight cargo which occupies very little space, which you can put in a lower hold, or the lower 'tween-deck, and save the upper 'tween-deck for the vehicle on wheels, it is pretty good cargo.

Mr. DREWRY. They are privately owned, personal property?

Mr. FARRELL. It is my understanding they are, not Government motorcars.

Senator POTTER. Mr. Farrell, there are some people who feel that MSTS, while it serves a useful purpose, the Government should get out of that business as soon as possible. There are two questions that come to my mind. I assume the purpose for MSTS is to take cargo for our defense needs and Government needs when private shipping is not available. Is that true?

Mr. FARRELL. That is, I would think, its mission in rear areas. I think it has another mission in forward areas.

Senator POTTER. If that is true, I am thinking now of shipments to Europe, or shipments to Japan at this time, does MSTS, at present,

take cargo, granted it is military or Government cargo, that private shipping could take, and do you have the facilities to handle that?

Mr. FARRELL. I have no direct or personal knowledge. The ships that I own and operate do not serve either of those areas. There is practically no MSTS business in my area at all, except a small amount at the Azores. It is my understanding the situation is this: The private lines, and the private tramp owners, couldn't transport, don't have the facilities to transport, all of the requirements of MSTS. Therefore, MSTS has a need to be in business, even today. But probably it has no need to be in as big business as it is today.

Senator POTTER. You feel whether it is war material or Government goods, if there are private ships that are available to transport these goods, and it is not going to a forward area, they should be allowed to ship those goods? MSTS would come in to take what the private ship operators couldn't handle or to go to forward areas?

Mr. FARRELL. That is correct. Of course, there are some areas that you couldn't describe as forward areas, which are military areas, which are not normally served by berth ships. You know of a few, and I know of a few. They would have to be the exception.

I would say to the extent that the private industry is capable and ready to do it, they ought to be allowed to do it.

Senator POTTER. You feel the encroachment has been gaining on the private companies?

Mr. FARRELL. That has been my information, although I am not directly concerned in those areas.

Now, sir, we come to the matter of other weaknesses. One is foreign discriminations. It is no secret that foreign governments use their merchant marines as instruments of national policy. By every means at their command, they foster the building and employment of their own ships. To the extent that this is normal and fair competition, we have no objection.

But, discriminations do exist. These take the form of currency restrictions, port preferences, discriminatory charges and other devices to compel carriages of both import and export cargoes in their national vessels.

Some time ago there sprang from this committee a very fine Senate resolution aimed in this direction. The State Department has already taken full cognizance of that. One of the difficulties that arises is as to the definition of what is "discrimination."

A person conducting himself in the way they may describe as discriminatory, within his own mentality may say that he is not discriminating at all. We get involved in difficulties not only of facts, but of definition.

Senator POTTER. Has it been the experience of the industry that the State Department, when it was brought to their attention, has used its influence on other governments to remove discriminatory practices when they exist?

Mr. FARRELL. I would say that is becoming increasingly slow.

Senator POTTER. They need jacking up now and then?

Mr. FARRELL. They only got moving when your committee produced a resolution. And perhaps, if I may say so, your committee might now and again look at the situation.

Mr. DREWRY. That was Senate Joint Resolution 150?

Mr. FARRELL. It may be. I do not know.

Mr. DREWRY. Would you say since that was introduced, and hearings were held, there has been a marked improvement in the situation?

Mr. FARRELL. There has been more activity. I don't know whether there has been a great deal of results.

It is not my purpose at this time to suggest a remedy. I limit myself for the present in calling these conditions to your attention, as constituting another weakness in the present position of the American merchant marine.

Disputes as to construction differential: You are familiar, I am sure, with the recent disputes as to computation of the construction subsidy. When a shipping company in good faith invests millions of its own money in reliance on a Government contract to pay a construction subsidy computed by a Government agency, another Government agency should not be entitled to recompute the amount of such aid. Confusion in this respect has certainly postponed, if not prevented, the construction of new vessels that are urgently needed in the foreign commerce and national defense of the United States.

Senator POTTER. Particularly when the Government, which has the responsibility, is given the discretionary powers and enters into the contract, I think it is one of the worst things that the Government can do, to violate its own contract.

Mr. FARRELL. Sir, I wouldn't at this time clutter your record with well-known story about the *United States* and *Constitution*. You know the story.

It has a most far-reaching effect, going way beyond the difficulty of the United States Lines, or the difficulty of the American Export Lines. This question of the implementation of a bona fide contract, carefully arrived at, in full open view, nothing underhanded, in accordance with the law, upsets the will of the investor to invest, the will of the lender to lend, and the will of the entrepreneur to go into business. It is basic.

Senator POTTER. I would assume, until this controversy has been cleared, there is a bad situation. I think it is the declared policy of the Department of Commerce, through Under Secretary Murray, that they feel a great injustice has been done.

One of the big effects it will have is that no company will want to go in and enter into a contract to construct a ship, not knowing whether 3 or 4 years later the Government will come in and violate its contract.

Mr. FARRELL. You can't do business that way.

Senator POTTER. No; whether you are dealing with the Government or private citizens. I sincerely hope there will be a change of climate in that respect.

Mr. FARRELL. To a lesser degree, the same is true of operating differentials of subsidy accruals.

Senator POTTER. That came in the backdoor. Didn't they hold up the operating differentials?

Mr. FARRELL. Yes, sir; they did.

Senator POTTER. Which had nothing to do with the contract under consideration. Even if they had a right to reopen the construction contract, I think they are reaching into thin air when they start tampering with the operating subsidy.

Mr. FARRELL. It is a procedure which I do not think well becomes the Government of the United States. I think it will be shown to be just as wrong as can be in law. I know, of my knowledge, it is just as wrong as it can be in decency and justice.

Senator POTTER. Certainly, it is. If there is any change to be made in the subsidy programs, whether operating subsidy or construction subsidy, that is a matter for Congress to decide. Congress gave discretionary power to the Maritime Board. They used their discretion. Even if they were wrong in arriving at the determination, they have entered into a contract. For a Government agency to break faith with the American citizens in a contract in which it has entered into destroys the very fundamental principles of our government.

Mr. FARRELL. I couldn't agree with the Senator more thoroughly.

Mr. DREWRY. Mr. Farrell, on that disputed question, which I think we will undoubtedly get into in greater detail later on, because it clearly is one of the major difficulties we are faced with, isn't it also true, taking, for example, the *Independence* and *Constitution*, that even after the former Commission made its approval of the program and established the subsidy rate and approved the general terms and conditions, it was still 3 years before a formal contract of any kind was entered into?

Mr. FARRELL. I would rather not give a specific answer to that, because it is now under judicial review. However, I think your statement is correct.

Mr. DREWRY. That is my understanding. That would indicate not only that there are administrative weaknesses in the handling of the act, as well as any weaknesses there may be in the act itself, or the conflcting views of other departments.

Mr. FARRELL. I wouldn't wish, sir, to argue the method or the computation. I would say that when the computation was made, no matter when it was made, by an authorized branch of this Government, and then used as the basis of a contract, that contract ought to be fulfilled.

Senator POTTER. Whether the computation was right or wrong, the contract was entered into. I have made a lot of bad deals in my lifetime that I would like to have gotten out of later.

Mr. FARRELL. A contract is a contract, if I have learned anything in 26 years.

Senator POTTER. What is the status of that now? They did renegotiate the construction contract and increased it considerably. I understand the Export Line accepted it.

Mr. FARRELL. I understand there are two different situations. One surrounds the *United States* and one surrounds the two Export ships. As to the *United States*, I understand a computation was made and accepted and placed in the contract. That matter has not, as I understand it, been reopened by anyone, except that the gentlemen refused to let the subsidy go through. The Export situation, I understand there was a computation made, and by negotiation a recomputation was made, after a visit to Europe, and an investigation of Dutch shipbuilding costs, and so forth, and that there were all kinds of Government people present at the computation, that that recomputation, perhaps under some pressure, was accepted by the American

Export Line. But it was then, again, disclaimed by another branch of the Government.

Senator POTTER. It was an unconscionable act.

Mr. FARRELL. This matter we have been talking about, Senator Potter, is a part of our next enumerated weakness, which is the lack of consistent Government policy. Perhaps the disputes regarding construction differential is part of a larger difficulty: the lack of a consistent Government policy. This trouble was recently evidenced in the Senate debates as to appropriations for the so-called ship subsidies. Perhaps that term, itself, is unfortunate, because it connotes a grant or a handout. Nothing could be further from the truth. In the final analysis, it is not the lines that are, in fact, subsidized, since any subsidy paid goes eventually to American labor, to the American farmer, or back to the Government. These payments are contract payments for contract services rendered, and I would venture to say that in few other Government contracts does the Government receive more for its money.

These contracts have not been questioned as to their validity. They haven't been questioned as to their intent or fulfilling them. It is just a matter of the speed with which they have fulfilled them.

The Government says to the owner: "If you will build your ship to American standards in more expensive American yards, instead of in cheaper foreign yards, we will pay part of the differential." The Government also says: "If you will operate that ship under the American flag regularly in good times and bad, on a route the Government designates as essential, the Government will pay part of the difference between your high American costs and the lower foreign costs. Then you will be in a competitive position to succeed or fail by your own efforts."

May I say parenthetically that at no time are you ever guaranteed a profit or are you ever protected from a loss, although those two points have been subject to some misconception.

The savings are twofold (1) to the American shipper, who is no longer dependent on foreign ships in an emergency, and who is kept always competitive in world freight markets, permitted to buy and sell against the foreign producer; and (2) the untold savings to the Government in having the American ship immediately available as the nucleus for national defense. Each of these savings has many times exceeded over the relatively low cost of the subsidies. Yet, these costs are part of national economy and defense, and are not, as sometimes regarded by the Congress, grants or handouts to shipping companies. Until the simple facts are made clear, we cannot have the indispensable consistency of Government policy without which the merchant marine cannot grow or prosper.

Deterioration of shipbuilding skills: This will be the inevitable result, if the other situations previously discussed are permitted to continue. So long as brakes on ship replacement exist, the shipbuilding skills will deteriorate. Some means must be found to keep these national assets alive, by an orderly and progressive ship-replacement program. If we wait until block obsolescence compels replacements, we will find that our shipyards will have closed in the meatime for lack of business to sustain them in the interim. If we do not foster our merchant marine by a consistent policy, we shall find that we have nothing to replace. The shipyards will find employment only

to the extent that the American merchant marine is encouraged to operate and to perpetuate itself. Find solutions for the merchant marine, and you will automatically preserve the shipbuilding skills that constitute such an important national asset in times of emergency.

Mr. DREWRY. On the subject of replacement and lack of consistent policy, could you elaborate on that a little?

Mr. FARRELL. We went over this question a minute ago about the debatable construction differential, whether a contract made was going to stand up, whether once a contract was made whether the necessary funds were going to be forthcoming, either from the Maritime Commission or from the Congress under appropriation, or were they going to be appropriated by the Congress, approved by the Maritime Commission, and held up by another department of Government.

The other question is, of course, each year, and all of us know it well and approve of the basic idea, that Congress cannot commit a future Congress, and that appropriations must be annual. But every time the annual appropriation comes up, it is subject to a debate as to whether the correct and necessary number of voyages are going to be approved, whether the amount of differential construction subsidy needed to embark on a shipbuilding program is going to go through, or whether we are just going to live this year.

Those are the inconsistencies which do not encourage replacement.

Mr. DREWRY. I was thinking particularly about the policies in the administration of section 510 of the act, having to do with trade-ins, whether you had any thought on that in particular?

Mr. FARRELL. I haven't explored the question of trade-ins very carefully. I do know that recently the General Accounting Office, or the Comptroller General, has come up with the theory that there should be a charge-back against the owner of a ship to be trade in, reducing his trade-in value; and the charge is said to be an offset for some charter hire which would have been calculated as due the Government in the interim.

I don't know the basis of his theory. Nobody would trade a ship in under those circumstances. I don't know whether that is the matter to which you refer.

Mr. DREWRY. Yes; that is the sort of thing I had in mind.

Mr. FARRELL. That is the point under section 510 (d) in which we said a week or 10 days ago, to another committee of the Congress, "We believe it will be necessary to set aside, by legislation or otherwise, the recent decision of the Comptroller General to the effect that section 510 (d) of the 1936 act should be interpreted so as to deduct from the trade-in allowance granted for an obsolete vessel an amount equal to the charter hire of such traded-in vessel during the period of construction of a replacement vessel. Continuation of this penalty provision will continue to discourage the trade-in of the existing fleet."

Mr. DREWRY. That is the sort of thing I had in mind.

Mr. FARRELL. In summary, I have attempted to appraise realistically for you the strengths and weaknesses of the American merchant marine. We have reason to be proud of achievements during the past 17 years, under the Merchant Marine Act of 1936. We have built up the largest and best merchant marine ever to fly the American flag. We have entered upon and established ourselves in old trade routes that formerly were foreign monopolies. We have pioneered

new trade routes and thereby effected economic penetrations that have created trade where none existed previously. We have saved American shippers untold millions by continuing regular services at established rates, even when foreign tonnage was withdrawn or depleted. There have been established and enlarged vast auxiliary industries which serve the American merchant marine. And, at the same time, have created a merchant fleet that has twice formed an invaluable nucleus for national defense, in World War II and in the Korean War. These are the strengths that must be preserved.

The weaknesses are those elements which tend to destroy what has been achieved. Their enumeration and recognition must be the first step toward preservation of our achieved position. I understand that it is the program of your subcommittee to learn (1) what we have, and what we need, and (2) how to achieve the desired goal.

Permit me to express my thanks to the chairman of the subcommittee, its counsel and staff, in its excellence of approach.

I have attempted to analyze what we have. My colleague, Mr. Solon Turman, will discuss what is commercially feasible to attain.

I understand that at some later date we may have the privilege of discussing with you the question of how these things can be accomplished, to the end that our national objective may be truly realized.

I would like to ask that these exhibits be made a part of the record. They accompany my testimony.

Senator POTTER. They will be made a part of the record, Mr. Farrell.

(The exhibits referred to are as follows:)

SCHEDULE I

| | Vessels | Tonnage | |
|---|---|---|---|
| | | Thousands of tons | Percent |
| Strength: | | | |
| Vessels owned and controlled by companies holding operating-differential subsidy contracts under the 1936 act: | | | |
| Passenger and combination vessels (see note) | 26 | 324 | 3.9 |
| Modern cargo vessels | 263 | 2,791 | 33.2 |
| Total | 289 | 3,115 | 37.1 |
| Unsubsidized vessels in foreign trade having commercial utility: | | | |
| Passenger and combination vessels (see note) | 8 | 58 | .7 |
| Modern cargo vessels | 136 | 1,451 | 17.3 |
| Bulk carriers | 13 | 282 | 3.4 |
| Refrigerated fruit carriers | 17 | 102 | 1.2 |
| Total | 174 | 1,893 | 22.6 |
| Domestic trade vessels presently employed in coastwise, intercoastal and noncontiguous trade | 162 | 1,635 | 19.4 |
| Total strength | 625 | 6,643 | 79.1 |
| Weakness: | | | |
| Unsubsidized vessels which have little commercial utility: | | | |
| Liberty-type ships in foreign trade | 159 | 1,704 | 20.2 |
| Other types | 7 | 56 | .7 |
| Total weakness | 166 | 1,760 | 20.9 |
| Combined totals | 791 | 8,403 | 100.0 |

NOTE.—Relative passenger carrying capacity per deep-sea voyage is as follows: Subsidized vessels, 7,726; unsubsidized vessels, 778. Passenger vessels included at gross tonnage—all others at dead-weight tons.
Source: U. S. Department of Commerce, Maritime Administrtion, Division of Ship Statistics.

SCHEDULE II

*Privately owned active vessels analysis of foreign trade dry cargo and passenger fleet of the United States, by types, as of Dec. 31, 1952*

[Tonnage in thousands]

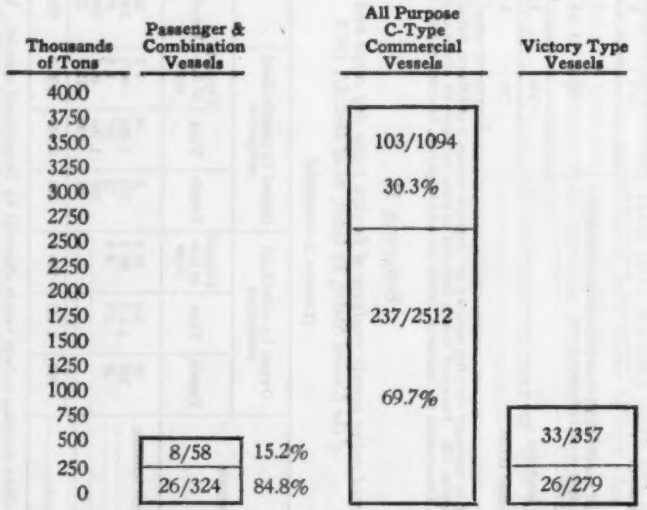
| Type of vessels | Owned by subsidized companies | | | Owned by unsubsidized companies | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | Vessels | Tons | Percent of tonnage | Vessels | Tons | Percent of tonnage | Vessels | Tons | Percent of tonnage |
| Passenger and combination | 26 | 324 | 10.4 | 8 | 58 | 1.5 | 34 | 382 | 5.6 |
| C type | 237 | 2,512 | 80.6 | 103 | 1,094 | 30.0 | 340 | 3,606 | 53.3 |
| Victories | 26 | 279 | 9.0 | 33 | 357 | 9.8 | 59 | 636 | 9.4 |
| Liberties | | | | 159 | 1,704 | 46.7 | 159 | 1,704 | 25.2 |
| All other types | | | | 37 | 439 | 12.0 | 37 | 439 | 6.5 |
| Total | 289 | 3,115 | 100.0 | 340 | 3,652 | 100.0 | 629 | 6,767 | 100.0 |

NOTE.—The above statistics include vessels chartered by Government agencies. Vessels temporarily inactive for repairs, etc., are also included. Vessels inactive for lack of employment, obsolescence, awaiting reconversion, etc., have been excluded. Passenger and combination vessels are included at their gross tonnage to properly reflect their importance, all other vessels are included at their dead-weight tonnage.

Source: U. S. Maritime Administration, Division of Ship Statistics.

SCHEDULE III

## COMPARATIVE ANALYSIS OF PRIVATELY OWNED ACTIVE MODERN DRY CARGO AND PASSENGER FLEET OF THE UNITED STATES ENGAGED IN FOREIGN TRADE ON DECEMBER 31, 1952




**RECAPITULATION**

| | No. | Thous. of Tons | % |
|---|---|---|---|
| Unsubsidized ..... | 144 | 1509 | 33% |
| Subsidized ..... | 289 | 3115 | 67% |
| Combined Total.. | 433 | 4624 | 100% |

SOURCE: U. S. Department of Commerce, Maritime Administration, Ship Statistics, 12-31-52.

Legend: Upper half of bar represents unsubsidized vessels, lower half are those owned by subsidized companies. The figure before the slant line indicates number of vessels followed by tonnage thus, 10 ships/100 DWT. Percentages are of DWT.

NOTES: Passenger & Combination vessels are stated in thousands of gross tons—all other are deadweight tons. Specialized types such as special bulk carriers and refrigerated fruit carriers have been excluded. At December 31, 1952 such specialized vessels were: Bulk carriers—13/283.1, unsubsidized; Refrigerator—17/100.6 unsubsidized.

The 159 Liberty vessels owned by the unsubsidized lines are vessels of an obsolete type which under future shipping conditions cannot be utilized for commercial operation and which are not desirable from a military point of view. Seventy-seven of these Liberty vessels are currently on charter to Government agencies, principally the MSTS, while the remaining 82 presently are employed in the deep-sea trades, primarily as tramp vessels. Liberty vessels have been determined to be ineligible for operating-differential subsidy under the provisions of the 1936 act. On a long range basis, their lack of speed and high operating costs minimize their commercial utility.[1]

### A REVISED APPRAISAL

With this preface we now present a corrected score on the present status and future prospects of American-flag shipping.

### SCHEDULE IV

*Unsubsidized modern dry cargo and passenger fleet in the foreign trade analyzed by groups, types of vessels, and employment, as of Dec. 31, 1952*

[Tonnage in thousands]

| Group and ownership | C type | | Victory type | | Passenger and combination | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Number | Tons | Number | Tons | Number | Tons | Number | Tons |
| Institutional carriers: | | | | | | | | |
| Alcoa Steamship Co. (Aluminum Co.) | 13 | 129.2 | | | 3 | 25.2 | 16 | 154.4 |
| Isthmian Steamship Co. (United States Steel) | 21 | 262.7 | | | | | 21 | 262.7 |
| United Mail Steamship Co. (United Fruit)[2] | 2 | 18.1 | | | 3 | 20.9 | 5 | 39.0 |
| Total | 36 | 410.0 | | | 6 | 46.1 | 42 | 456.1 |
| Companies with diversified industrial and investment holdings: | | | | | | | | |
| American-Hawaiian Steamship Co.[2] | | | 2 | 21.4 | | | 2 | 21.4 |
| Waterman Steamship Co. group | 28 | 294.0 | | | | | 28 | 294.0 |
| Total | 28 | 294.0 | 2 | 21.4 | | | 30 | 315.4 |
| Companies directly or indirectly owning or operating foreign-flag tonnage: | | | | | | | | |
| Isbrandtsen Steamship Co | 9 | 85.2 | 4 | 43.1 | | | 13 | 128.3 |
| States Marine Co | 5 | 47.4 | 5 | 54.1 | | | 10 | 101.5 |
| Total | 14 | 132.6 | 9 | 97.2 | | | 23 | 229.8 |
| Subsidy application approved agreement not yet executed: South Atlantic Steamship Co | 4 | 42.7 | | | | | 4 | 42.7 |
| Vessels purchased for employment in domestic trades, presently employed in foreign trade: Luckenbach Steamship Co | 7 | 81.4 | | | | | 7 | 81.4 |
| All other companies | 14 | 133.1 | 22 | 238.9 | 2 | 12.0 | 38 | 384.0 |
| Total | 103 | 1,093.8 | 33 | 357.5 | 8 | 58.1 | 144 | 1,509.4 |
| Type of operation: | | | | | | | | |
| Liner | | | | | | | 108 | 1,126.9 |
| Tramp | | | | | | | 24 | 252.4 |
| Other (United States agencies) | | | | | | | 12 | 130.1 |
| Total | | | | | | | 144 | 1,509.4 |

[1] After Dec. 31, 1952, the 3 combination vessels were converted to freighters.
[2] This company also owns 4 C-2's which are to be converted to bulk carriers.

Source: U. S. Department of Commerce, Maritime Administration, Division of Ship Statistics.

[1] As a general rule the Bureau of Internal Revenue of the Treasury Department has regarded these vessels as having a 5-year useful life ending in 1953. According to our information most of the Liberty vessels acquired by private owners have been granted special amortization privileges by the Bureau and are being written off for tax purposes over this period of commercial utility. These special amortization privileges were granted by the Treasury after representations by the owners to the effect that Liberty vessels were an obsolete type, having a useful life limited to the abnormal period of shipping following World War II, but not in excess of 5 years.

SCHEDULE V

*Subsidized operators combined summary of operating-differential subsidy and recapture thereof for the 14 years ended Dec. 31, 1951*

| | Terminated recapture periods at Dec. 31, 1951 | Current recapture periods at Dec. 31, 1951 | Total |
|---|---|---|---|
| Subsidy: | | | |
| Received to December 31, 1951 | $54,696,417 | $35,812,501 | $90,508,918 |
| Accrued at December 31, 1951 | 31,551,550 | 136,489,894 | 168,041,444 |
| Total | 86,247,967 | 172,302,395 | 258,550,362 |
| Percent | 100 | 100 | 100 |
| Recapture: | | | |
| Paid to December 31, 1951 | 28,367,602 | | 28,367,602 |
| Accrued at December 31, 1951 | 26,106,577 | 56,917,859 | 83,024,436 |
| Total | 54,474,179 | 56,917,859 | 111,392,038 |
| Percent | 63 | 33 | 43 |
| Net subsidy | 31,773,788 | 115,384,536 | 147,158,324 |
| Percent | 37 | 67 | 57 |

Senator POTTER. Mr. Farrell, I wish to thank you for an excellent statement. I hope your staff will review the existing legislation thoroughly and make recommendations to us, if changes in legislation are desired to alleviate some of the weaknesses that now exist.

We would certainly like to have your advice. As you may or may not know, the intention of the committee at this time is to gain as much information as possible. You said, "What we have, what we need, where do we go from here, how are we going to secure the merchant marine that is desired?" That is what we have in mind.

Mr. FARRELL. All of the companies I represent are delighted at this opportunity and stand ready to do everything they can to supply all the information that they have available or can get for you.

Senator POTTER. Thank you. I know Mr. Drewry, our counsel, will be in constant touch with you. Any thoughts that you have, we will be glad to receive.

I hope, Mr. Farrell, you will have an opportunity to be back with us again. I would like to have gone into some of these matters a little deeper, particularly in some of the subsidy programs. You have some other representatives who will be here. Probably it is just as well to take that up with them.

Mr. FARRELL. Our hope, with the chairman's permission, is to have my recital of the present conditions followed by Mr. Turman, and then, later on, at the convenience and kindness of this committee, to bring to you several specialized experts who could answer the special questions.

Senator POTTER. We certainly appreciate that. Mr. Turman, I regret the time is running out on us. I don't want to inconvenience you any more. Would it be possible for you to come back tomorrow?

Mr. TURMAN. I will be pleased to do so.

Senator POTTER. In that case, we will hear you tomorrow. We are not trying to rush these hearings. We want to go after information. We are not trying to set a record. We don't have a time schedule.

Mr. TURMAN. I will be able to finish up tomorrow.

Senator POTTER. I am sure you will.

Mr. FARRELL. I hope I did not take too much time.

Senator POTTER. No; it is good testimony.

(Whereupon, at 12:40 p. m., the committee recessed, to reconvene at 10 a. m., Thursday, June 18, 1953.)

# MERCHANT MARINE STUDIES

**THURSDAY, JUNE 18, 1953**

UNITED STATES SENATE,
SPECIAL SUBCOMMITTEE ON MARITIME SUBSIDIES
OF THE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
*Washington, D. C.*

The subcommittee met, pursuant to call, in room G–16, Capitol, at 10:10 a. m., Senator Charles E. Potter presiding.

Present: Senators Potter and Magnuson.

Also present: Mr. John M. Drewry, special counsel to the subcommittee.

Senator POTTER. The committee will come to order. This is a continuation of the exploratory hearings which we have been conducting for the past several days in an effort to get an overall objective view of where we are, where are going, and how we are going to get there, as it relates to the merchant marine.

Mr. Turman, we are very happy to have you here. I realize how busy you and Mr. Farrell, and others who are presidents of these various steamship companies, are. We are highly gratified that you have taken the time out to give us the benefit of your views on this most important subject. I think many times in the past we have relied upon representatives of industry, and they have all done a good job in representing the industry. I think it is a very healthy situation when the people who are directly connected with the companies themselves give us the benefit of their thinking. We are very pleased that you are here.

Mr. TURMAN. Thank you so much, Senator Potter.

Senator POTTER. I assume you are speaking not only for yourself, but for all the subsidized lines?

Mr. TURMAN. That is right, sir. Shall I identify myself for the record?

Senator POTTER. If you will.

## STATEMENT OF SOLON B. TURMAN, PRESIDENT, LYKES BROS. STEAMSHIP CO., INC., NEW ORLEANS, LA.

Mr. TURMAN. I am Solon B. Turman, president of Lykes Bros. Steamship Co., Inc. My appearance is on behalf of the 14 subsidized lines mentioned by Mr. Farrell yesterday, including my own company.

As part of my testimony, I will furnish our best estimate of the future attainable size of the privately owned and commercially operated American merchant marine. For purposes of expediting the research of this committee, this projection will cover all segments of the American merchant marine. I shall, however, generally limit my comment and explanations to vessels engaged in the foreign trade of the United States.

PROJECTED FUTURE SIZE OF THE AMERICAN MERCHANT MARINE

Commercial needs are, and must continue to be, the limiting factor in the growth and continued maintenance of a privately owned American merchant marine.

While in the words of the declaration of policy of the 1936 act, such merchant marine shall be "* * * capable of serving as a naval and military auxiliary in time of war or national emergency," it must be recognized that it never will be adequate to fulfill the complete mobilization requirements of the Nation. Furthermore, while the justification for Government assistance to the merchant marine may be based in part upon defense considerations, it is not economically sound for the Government to attempt to maintain in operation a greater number of vessels than the commercial demands justify.

The additional vessels needed to meet the military demands in time of war or national emergency, should supplement the commercial fleet. Drawing upon a government-owned standby fleet for this purpose is comparable to, and consistent with, our national policy covering the ready mobilization of other industries for defense requirements as, for example, the standby machine-tool program.

Senator POTTER. Is this an endorsement of the MSTS nucleus fleet?

Mr. TURMAN. Yes, sir, in principle. I think Admiral Wilson made more or less the same remark, that the active fleet would have to be, for economic reasons, more or less limited to the commercial need, and that, naturally, he would have a standby fleet in addition, plus shipbuilding, which we all know in time of overall emergency will have to get into motion.

Mr. DREWRY. By "standby fleet" you mean primarily the so-called national defense reserve fleet?

Mr. TURMAN. I would call it that, sir. I say that for the reason that I think, in my own judgment, and in our judgment, it would be utterly foolish thinking to feel we could maintain in commercial operation a fleet which would meet all of these needs.

There, again, it would be a matter of economy which would have to be taken into consideration.

Mr. DREWRY. It is a fact, it is not, Mr. Turman, that before we got into World War II, the reserve fleet we had at that time, small as it was, and old as it was, was of great value in the early stages for the preparation of the war?

Mr. TURMAN. Unquestionably. I think without those ships, plus the new ships that came into being under the 1936 act, we would have had very little, if anything, to count upon.

The real problem then, is to determine (1) the number and type of privately owned vessels which reasonably may be employed in the peacetime waterborne commerce of the United States on a long-range basis; (2) what should be done with excess vessels which cannot be economically employed on a commercial basis; and (3) the method by which the difference between the commercial and military objectives can be provided.

Senator POTTER. Can I go back, Mr. Turman, and ask you, have you, or have the subsidized-line representatives, testified or made any statement on behalf of the bill introduced by Congressman Allen in the House—I think a companion bill is in the Senate—in essence

requiring the private shipping to get more of the business which is now being handled by MSTS. I don't know whether I have properly identified the bill so you can speak to it.

Mr. TURMAN. I think, in a fashion, Mr. Farrell dealt on the fringes of that yesterday. I didn't attend these other hearings up here. If I may, I will ask Mr. Nemec.

**STATEMENT OF FRANK A. NEMEC, VICE PRESIDENT, LYKES BROS. STEAMSHIP CO., INC., AND CHAIRMAN, FINANCE COMMITTEE OF SUBSIDIZED LINES**

Mr. NEMEC. He had generally the same testimony as that which he presented here yesterday. He lodged a general objection to untrammeled competition from the MSTS, and in principle endorsed the Allen bill.

Senator POTTER. Thank you. I am sorry to interrupt you.

Mr. TURMAN. I shall limit my testimony to the first of these 3 subjects, leaving the latter 2 for the further consideration of this committee.

Estimated attainable size of the privately owned merchant fleet: Table I, which follows, shows our estimate of the size of a commercially attainable merchant fleet.

Senator POTTER. This is the size of the fleet in existence, or the fleet that we could have?

Mr. TURMAN. It is partially the fleet in existence, with some little variation. If I might depart from my text just a moment, I would like to make one observation. I was very much interested yesterday in the testimony of Admiral Wilson and his answers to some of your questions and remarks with regard to how they arrived at their fleet which they needed actively in being during this period we are in.

He explained in great detail that they could target their lifts of cargo, people, and troops, and what not. With that in mind, and taking into account the international situation, the military requirements, and the exigencies which would arise, they arrived at the fact that the lift was so much and they had to have ships to meet it.

I would like to point out that we, who are dealing here with the problem, and looking into the future and trying to come to you and arrive at some definite target as to a fleet, must take many, many factors into consideration.

We may be right in some of the factors; we may be wrong in others of them.

We have to weigh the trends in which trade is going, and above all, the economic situation. So we can be right, we can be wrong, or this estimate here, based on an upheaval tomorrow, would completely upset this. I just wanted to make it plain that we have taken all of these factors into account in arriving at what we come to here, based on the situation and existing situations as we see them.

Senator POTTER. I assume you are using the present world conditions and economic trends today as criteria for projection in the future?

Mr. TURMAN. Mainly that. But I think, here again, Mr. Chairman, anybody that is in international trade, or looking at our world situation, you have to also take into account history. You have to take into account what has gone on before, discount the changes, but where a pattern is there, you can't overlook it.

Senator POTTER. Has foreign competition cut in more and more on your trade?

Mr. TURMAN. Very much so.

Senator POTTER. I assume that is a growing problem.

Mr. TURMAN. Yes, a growing problem. A great deal of that will come out as we go along, and I shall welcome your questions.

Senator POTTER. Thank you.

Mr. TURMAN. Commenting briefly on this table, which I will ask the reporter to put in the record——

Senator POTTER. Yes, we will put it in the record.

(The table referred to is as follows:)

TABLE I.—*Projected size of active commercial American merchant marine*

[Tonnage in thousands]

| | Number | Gross | Dead-weight tons |
|---|---|---|---|
| Oceangoing vessels: | | | |
| Passenger and combination: | | | |
| Domestic services | 10 | | |
| Foreign liner services | 62 | | |
| Total | 72 | 790 | [1] 790 |
| Freighters: | | | |
| Domestic services | 205 | | |
| Foreign liner services | 430 | | |
| Total | 635 | 4,600 | 6,800 |
| Tankers | 484 | 4,737 | 7,592 |
| Total oceangoing | 1,191 | 10,127 | 15,182 |
| Great Lakes vessels | 400 | 2,516 | 3,811 |
| Total vessels | 1,591 | 12,643 | 18,993 |

[1] Gross tonnage.

NOTES.—The above estimate does not include any tramp tonnage for reasons outlined in this report. While our estimate for the reserve fleet is not shown in the table, we believe that about 500 high-class reserve vessels aggregating 5 million deadweight tons should be available for national defense requirements over and above the active fleet as shown, or a total of 2,091 vessels available for commercial and defense purposes. At December 31, 1952, the Maritime Administration-owned reserve fleet consisted of 215 combination passenger-cargo vessels aggregating 1,885,000 gross tons (including troop transports; hospital ships, etc., not reconverted from war service), plus 1,885 freighters (predominantly Liberty type) aggregating 19,049,000 deadweight tons. About 245 of these vessels were in active operation at that date. This reserve fleet also has not been included in the above tabulation.

The estimate of 430 liner-type, dry-cargo freight vessels in foreign trade approximates the present number of this type of subsidized (275) and nonsubsidized (120) vessels in active service, plus 35 Mariner-type vessels now under construction or recently completed.

We have not included in the projection any tonnage representing specially designed, oceangoing industrial bulk carriers which may be built in future years for operation under the American flag, nor vessels which may be permanently employed in the service of the MSTS or other Government agencies.

The Great Lakes and tanker fleets are included on the basis of estimates made by the Maritime Administration. (See p. 34, American Merchant Marine and the Federal Tax Policy, U. S. Department of Commerce, Nov. 1, 1952.)

Mr. TURMAN. You asked the question of whether or not this was substantially the fleet in being today, and the answer is substantially yes. I would say here in ocean-going vessels, passenger and combination, the 10 ships in domestic service I understand are in being.

The projection under foreign-liner services, I understand approximately 30 are in being, and the remaining 32 are within the planning or thinking of the Maritime Commission and the industry.

Senator POTTER. In other words, of the 62 that you have here, there are 32 that are actually not in existence, but they are either being built or they are in the planning stage?

Mr. TURMAN. They are under consideration. I think the Maritime Administration, as I understand it, in one of their presentations to the

White House, put that forth. These figures corroborate their thinking, and also our thinking.

Mr. DREWRY. The 32, Mr. Turman, would be in addition to, rather than including any replacements?

Mr. TURMAN. That is correct, as I understand it.

Senator POTTER. The ships that the Moore-McCormack Line have under consideration for construction would not be in addition? That is really a replacement program, isn't it?

Mr. TURMAN. I think in the case of the Moore-McCormack that is a bit different. Those are Government-owned ships which are under charter. We are talking about the private merchant marine, so they wouldn't be included.

The freighters in domestic service are 205. I might comment here that these 205 are actually in being, in service.

Mr. DREWRY. Domestic service?

Mr. TURMAN. In domestic service, of which 165 consist of Liberties, miscellaneous vessels, and 70 Victorys, and/or better vessels.

In the foreign-liner service, these 430 vessels are actually in being and consist of C-type and Victorys, plus the inclusion of the 35 Mariners. We have included them in this figure of 430.

Coming down to tankers, my understanding is they are largely in being or under construction, in active planning. The Great Lakes vessels we have included here simply to show what they are and what it consists of, 400 vessels of various types.

Senator POTTER. And also flatter the chairman.

Mr. TURMAN. If you build the St. Lawrence seaway, Mr. Chairman, we, down on the gulf, are going to have a lot of competition from you.

Senator POTTER. I think that may be so. But I think competition of the kind you get up there will be good for everybody.

Mr. DREWRY. Mr. Turman, in this projection here, is it limited to ships of 1,000 gross tons or over?

Mr. TURMAN. Yes, sir.

Mr. DREWRY. Would it be possible for you to supply for the record a more detailed breakdown of these categories so we can see what ships there are, what operators there are, and what service they are in, and anything else that can give us information in our studies so that we may have a more detailed understanding of the employment of the vessels or projected vessels?

Mr. TURMAN. We would be pleased to do that.

(The information referred to was not submitted at the time the hearings were printed.)

Senator POTTER. Before you continue with your statement, Mr. Turman: Senator Magnuson, we are continuing a study of the merchant-marine problem, which the chairman charged the subcommittee to study. We have had some excellent testimony. Mr. Turman has just started his statement. We are pleased to have you back, with your vast knowledge of the subject.

Senator MAGNUSON. I am sorry I could not be here for the other hearings.

Mr. TURMAN. For reasons outlined in a later portion of this report, few increases may be expected in future years in the category of the liner vessels. It is a general misconception that merely putting more vessels in service will guarantee a greater participation in the

movement of foreign trade. There is no bottomless well of cargo into which the American merchant marine can dip merely by subsidizing the operation or construction of vessels. The practices of foreign governments sharply limit the maximum participation of American-flag vessels in international trade. Most foreign governments regard their merchant marines as instruments of national policy. With every device at their command, they promote its welfare. In doing so, they do not hesitate directly and indirectly to control routings, exercise discriminations against American-flag vessels, and undertake many other types of restrictive practices, all designed to insure profitable operation of their own national merchant marine.

Some American-flag industrial or institutional bulk cargo carriers of a large size and specially adapted for the importation of ores and of other bulk commodities may be added to this fleet. I think that was discussed a little yesterday by Mr. Farrell, and the possibility of these special-type carriers coming into being.

Senator POTTER. There is at the present time a shortage, is there not, of oceangoing ore carriers, or there will be a shortage in the future, particularly as the Labrador lines open up?

Mr. TURMAN. And also as our need becomes greater for importation of these ores.

Mr. DREWRY. That is a good example of the way trade expands.

Mr. TURMAN. Unquestionably.

Mr. DREWRY. If possible, as these new areas and new products are opened up, there will be more and more trade of a dry-cargo nature, for instance, to the new areas that are developed by these mining operations.

Mr. TURMAN. I think that is quite correct. I could give the example of our own company. We pioneered a service from the gulf to south and east Africa. Prior to that time, there were foreign ships in that service, but they never loaded homeward to the gulf from south and east Africa. They loaded outward, went into the Red Sea, and around-the-world service.

When we entered into this trade, we had made a very careful economic survey of the possibilities. It has been amazing to see the volume of commodities which has developed after we got going and checked the prospective buyers in this country.

I can give a good example by speaking of the shift of the sisal business into New Orleans, which is one of the greatest import centers of sisal in the world.

Prior to that time, there was practically none that came into New Orleans. We introduced coffee from east Africa, which is a very desirable type of coffee for blending purposes. I could name you any number of commodities, including ore.

Mr. Drewry, that answers your question, that the liners, in the absence of a steady flow of general cargo, are large carriers of bulk cargoes homeward. A good part of our homeward cargo from Africa is ore. A great deal of ore comes from the Philippines, from Africa, from the North Atlantic, and types of bulk cargo, so that we are forming in taking care of these strategic needs in the most reasonable way, because our ships go out with our exports, but they come back with these cargoes which are needed here. We are not normally

the large bulk carriers outward, but we are the large bulk carriers homeward.

It would be rather incongruous if our ships depended wholly on outward cargo and home in ballast. The same thing could happen in tramps. If they took cargo outward, and we are handling it homeward, there would be conflict in there and duplication. I only mention that as one of the areas of duplication and conflict that could exist.

Senator POTTER. Do you have any rule of thumb as to the percentages of total capacity of a ship that you have to utilize in order to have a profitable operation?

Mr. TURMAN. I am glad you brought that point up, Senator. We, who are in the liner business, we undertake, in our contracts to operate the minimum and maximum sailings over trade routes, whether or not we had these contracts, if we are really sincerely going to adhere and build up a following in the support of shippers on these trade routes, we have to stay in there consistently and match service with the competing foreign service. The owners who have been there from the start do just that, generally.

It follows that the way ships are built, their relationship to cubic—that theoretically a ship, when you say she is "full and down," you would produce probably the maximum revenue return, and hou have stability, seaworthiness, and probably a better rate of discharge and loading. But a liner can't do just that. He has to hold himself open for a man who ships 100 bales of cotton, 5 cans of milk, or 10,000. He has to provide the maximum space that he can to accommodate little and big shippers of all types of exports.

Therefore, in planning his service, he looks ahead and tries to evaluate the cargo movement in advance. If he feels, with the number of ships that he has with the service he has to maintain, that he will require bulk cargo as something to fill the difference between what he would get in general cargo, he will proceed to book this bulk cargo. We call that "nucleus" cargo.

Generally speaking, it is desirable to have it because for some reason your general cargo might not materialize. Then, as we get near the sailing date, if the general cargo has not materialized to the same extent that we thought it would, we go in and then book more bulk cargo, and there it is good as filler cargo.

That is the pattern of a liner in its participation in the outward bulk. To give a good example, up until the time of the impact of our reduction by our Government, appropriations for all these foreign aid and relief cargoes, when there was much general cargo moving, the liners handled a very small proportion of bulk cargo.

But during the past year, practically, when business was falling off, where the dollar gap has come into force, and where the foreign nations are buying where they can buy cheapest, with the currency they have, and where our exports have fallen off, now the liners are taking much greater proportions of bulk cargo. Does that explain it?

Senator POTTER. I assume bulk cargo is not as profitable for you as general cargo?

Mr. TURMAN. Well, in normal times, it would not be. But during all of this so-called lush period that went on following World War II, and with this gap before the year 1950, before Korea, and when things

were getting down to a normal basis, bulk cargoes would be very sensitive to the supply and demand of ships. They are not tariff commodities, meaning it is a trading proposition. They immediately feel the effects of supply and demand.

During a great deal of that period, and particularly after the impact of Korea, these bulk cargo rolls went to unprecedented heights. It was a great temptation to many liners to handle bulk cargoes because it was more profitable.

The liner, in my judgment, does a great service to the foreign commerce of the United States, and I speak of the general cargo items that make up our economy. We have these conferences and we get together. We confer with our shipper friends, various industries, groups, associations of various shippers who need rates in advance with which to sell in advance. They have to have a base of their sales to go out and purchase the raw materials, to meet a competitive situation, let us say, and set a price in Brazil in competition with the British; therefore, they have to have a rate to work on.

These conferences of the liners, when they give a rate like that under the contract system, are one of the greatest incentives there can be from the standpoint of the shippers, because they are given a stable rate for 6 months or a year. They can base all of their calculations on that. They can buy and sell.

From the steamship owner's point of view, he is chained once he has given that contract. In all of these big abnormal bulges, such as after Korea, the liners did not profit anything like the tramps, because of these rate commitments which were in existence. It was only after the impact was fully felt, and considerably after the time that it was really there, that by negotiation with the shippers we eventually got our rates up, to some degree.

Senator POTTER. You had to adhere to the rates that you had contracted for, and tramps could pick it up when they wanted to and take the market rate?

Mr. TURMAN. Right, sir. It was part of our obligation; I think it just demonstrates the purpose that is served by the regular liner companies.

Senator POTTER. You mentioned a little while ago about the discrimination. I am not too familiar with the subject. It is my understanding that the shippers' insurance on commodities that would be shipped—I don't know whether I have the facts or not—but in some countries they require their shippers, in order to get insurance, to ship in the bottoms of their own country. Am I correct in that statement?

Mr. TURMAN. I think I could answer it this way, and I think we would be talking about the same thing. If a man in Germany buys 1,000 sacks of flour from a shipper in the United States, he can either buy "cost insurance and freight", which means you, the shipper, undertake to deliver it over there at a landed price, including the insurance, freight, and whatnot, or the man in Germany could say, "I will buy it alongside the dock," and the cargo goes to the dock and he designates the ship it goes on and he places the insurance, rather than the shipper. I think that is substantially the thing you are talking about.

Senator POTTER. Is that done frequently?

Mr. TURMAN. That is becoming one of our most pressing problems. There again it is one of the mediums whereby countries with whom

we do business have to depend on their merchant marines and foster them any way they can. They are increasing their purchases on an f. a. s. basis. Then they are in a position to completely control the routing of the cargo.

I may say this pattern we are getting into is simply history repeating itself as it was after World War I. As the conditions become more competitive, dollars are scarce, and whatnot, the desire to control the routing on their own vessels becomes greater.

Senator MAGNUSON. They have always done that. As the tonnage gets looser and shipping loosens up, then they tend to fall back into that pattern.

Mr. TURMAN. That is right.

Senator MAGNUSON. The more competitive things become, the more they go toward that device?

Mr. TURMAN. That is exactly correct.

Senator MAGNUSON. Indirectly it is discrimination. That is what it amounts to.

Mr. TURMAN. I could cite you an instance. I would like to do it. I have it in my craw, and I would like to get it into the record, as I do now and then, because sometimes it may get back to other sources.

We had a situation in Holland where things got tight. They were taking advantage of our MSA aid funds, and the Dutch Cotton Spinners' Association passed a resolution and circularized all of the American cotton shippers that one of the conditions of their sale would be the routing of all cotton on Holland Line vessels.

We just had a devil of a time to finally get that overcome. It happened to be in conflict with the policies of the American Cotton Shippers Association, because obviously, cotton may come from 5 or 6 ports in order to get 1,000 bales of cotton; to get a certain grade they might have to ship 50 from Brownsville or New Orleans. If they couldn't match up the routing of the ship, they would be in an awful position.

It was only after a great deal of pressure and work by our own people on the other side, and the American Cotton Shippers' Association, that we got that lifted to a degree.

Senator POTTER. Can't our State Department help in matters of that kind?

Mr. TURMAN. I think Senator Magnuson has had a lot of experience on this discrimination. That would not be one that you could classify as a government discrimination. That is only an indication of how the foreign buyer, in his own country, is staying in there pitching to help his own merchant marine.

Senator MAGNUSON. When you get right down to it, that is our real problem in normal times, that the American shipper is not concerned with supporting his merchant marine as the foreign shipper is concerned with supporting his own merchant marine. It becomes a Government policy with a lot of these countries. It also becomes a habit.

Mr. TURMAN. That is right.

Senator MAGNUSON. It also becomes a commercial habit.

Mr. TURMAN. That is right.

Senator MAGNUSON. If we did the same thing, we would disrupt everything. We don't do it. If we practiced the same things that they do, we would finally run them off the seas.

Mr. TURMAN. That is right.

Senator MAGNUSON. Which we don't want to do.

Mr. TURMAN. And we didn't do it, as evidenced by the 50–50 division.

Senator MAGNUSON. We had a time with the 50–50 division, even.

Senator POTTER. They are still having it out.

Senator MAGNUSON. Yes.

Mr. TURMAN. I want to bring up this one point, Senator, which I think will be enlightening to both of you on that subject. The American Cotton Shippers' Association comprises the industry 100 percent, Pacific, and so on. They have this very strong policy of c. i. f. sales. They want to control the routing as it fits in with their marketing and sending of cargo.

We have brought up this question of instructed routing and f. a. s. purchasing. It is the one flaw in the contract system. They are the ones who came to the shipping lines and said, "We want the contract system"; therefore, they are for it. But under the f. a. s. purchasing arrangement, the routing is in the hands of the buyer, rather than in the hands of the shipper. They are in sympathy with us that they don't like it. So we said, "Why don't you adhere to your policy and don't do it"? We went to this group meeting of some of the heads of the big concerns, and one man said, "If I don't agree to the request when I am asked to quote on the sale, to an f. a. s. sale, he will go next door and I will lose the business. As much as we want it, competition is that keen, and we are going to do it."

In the case of this Dutch thing, Senator, the excuse was given indirectly that the reason they had issued these routing instructions was because on our export-import requirements, when the waiver was given, that 50 percent go in the ships of recipient nations, the Dutch lines could not participate in cargo under an export-import loan that went to countries other than Holland. Mind you, they were not satisfied with their little waiver to Holland but they wanted it to Germany, and all over the place.

I just mention that these are some of the forces today in discriminations, or however you put them, whether they are governmental or whether they are a natural desire to foster their own and build up the merchant marine, those are the things that are the active competitive factors that mitigate against saying, "Just put ships in there and we will get the business."

We are getting into other things as we go along. Senator.

The foregoing estimates do not include any tramp tonnage because the bulk cargoes which are imperative for the continued operation of tramp vessels will probably not be available for carriage by American-flag tramps upon the resumption of more normal competitive conditions in world trade and in world shipping. The curtailment of American economic aid, which in the postwar years has guaranteed American-flag tramp vessels a participation in the bulk trade, also appears imminent.

In the case of tramp cargoes not financed by U. S. Government funds, foreign purchasers usually buy bulk commodities and provide their own transportation. When there is a normal supply of foreign-flag tramp tonnage available, this effectively excludes American-flag tramp shipping from participation in bulk cargo movement.

Mr. DREWRY. Following the war and the heavy movement of our foreign-aid programs, we depended greatly on tramp tonnage at that time, isn't that correct?

Mr. TURMAN. Immediately after the war—you have to orient yourself back—the privately owned fleet was still under requisition. There were also many ships, all the vast number of ships that were under general agency agreement. Well, the owners had a problem, then, of getting their ships back from requisition and rehabilitating them for commercial operation, tearing out gun platforms and all of the other various things, plus this great abnormal movement of relief and rehabilitation cargo.

So the Congress, very rightfully, through legislation, enabled the Maritime Commission at that time to make available to American owners under bareboat charter, a vast number of our fleet, Libertys, Victorys, all types that were available.

The preponderance of that cargo was handled by this expanded chartered fleet. Anyone else who could qualify, who had the know-how or financial background, could come in and charter them and operate them.

Mr. DREWRY. A great deal of it was a tramp-type thing?

Mr. TURMAN. A great deal of it was. As far as my own particular company, we had a fleet at one time of 90 of these vessels, while we were rehabilitating our own fleet. We kept those ships substantially on our own trade routes. We never departed from it, because we thought that was where they belonged.

Mr. DREWRY. Then, subsequently, with the 1946 act, it was evidently thought that making ships available to other purchasers and the regular liner operators was justified at that time, and no trading restrictions were applied to the operators. Isn't it true that during the peak movement, as we have tried to get Government ships out of operation and into private hands, that the peak movement of this rehabilitation program was greatly aided by the existence of a privately owned tramp fleet?

Mr. TURMAN. I wouldn't exactly say that, sir. That brings me back to things that went on before World War II, for example.

This merchant marine situation is almost history repeating itself. We came out of World War I with the Government having the same big war-surplus fleet that you have today. As soon as hostilities were over, and all the great buildup of cargo at ports, people wanted to get going, helping Europe and the rest of the world, and the then Shipping Board allocated these vessels under managing-operator agreement, to Tom, Dick, and Harry, to anybody who had the know-how, and let them travel.

Well, as the market got a little worse, and times got a little hard—this was for Government account, an agency basis, and the profit was for the Government and the loss was for the Government, with the manager-operator getting a fee. In the very beginning, when the bulk of cargo was there, and there was no competition, the Government thought they were making a lot of money. But when things started going down, you found one managing-operator competing with the other, and the added competition, let alone foreign competition, was costing the Government a world of money; in other words, the berth was overtonnaged.

So, from that experience, they evolved the theory that the future of the American merchant marine, as they saw it, depended on the concept of the trade-route principle, that is, getting on established routes, building up the various sections of the country, by regular liner service where it was needed, and they got into that and limited the number of vessels that would be in service, to the extent that they did not permit unnecessary losses by control of them.

Senator MAGNUSON. They were driven to that?

Mr. TURMAN. Yes, economically. Whether it is the Government or private individual, it comes back to the same thing.

I draw that parallel for this reason, Senator, in order to answer your question——

Senator MAGNUSON. And we are running into the same situation now?

Mr. TURMAN. Yes. In this period from about 1923 on to World War II, at various stages, we had times when, due to crop failures in Argentina and Australia, bumper crops in this country, and American grain was on an exaggerated favorable basis, there was a tremendous export, way beyond the capacity of active fleets in existence to handle it.

It so happened that in some of these particular periods the world activity was good for farmers. So what happened? How was it taken care of? The farmer had to be taken care of. He wanted to get rid of it and wanted to market it, didn't have the storage capacity, as we don't have today for this bumper crop. So the law permitted the Maritime Commission discretion, and they broke out 100 of these ships, and that was the practice as we went along in that period.

Whenever you reached undue abnormal situations, your standby fleet, which was a national-emergency fleet, any way you take it, either for your economic reasons or military reasons, it was there and available to supplement your going, active fleet.

I can recall one of these very particular occasions was the British coal strike. That was the first time where the old saying came into being, "carrying coal to Newcastle." That, I think, is the first time it happened. Britain was paralyzed. Part of the world depended on British coal. The Government, at that time, I think, broke out about 150 ships. These ships came out of the standby fleet and were put in service and took care of the movement.

Senator POTTER. In other words, it is your contention that under normal conditions there is little need for an American-owned tramp fleet?

Mr. TURMAN. I am trying to, as shown by my first remarks, to say that we have to watch the patterns. You have to see how you get into these situations, from experience, and why we are under the law under which we have been operating, the 1936 act, which has been amended from time to time, which it has been suggested might be amended further, and examine how these situations were taken care of.

I think it finally goes gack to the fact that the decision is on you gentlemen here in Congress. You are the ones who are going to have to examine and evaluate all these factors as to what is the best thing to do to accomplish three things——

Senator MAGNUSON. We can't, by legislative action, abolish the tramp fleet that we now have.

Mr. TURMAN. You don't have to do anything about it. You just sit tight and it will abolish itself.

Senator MAGNUSON. We don't have to do anything, but I think our problem is whether or not we want that to happen.

Mr. TURMAN. I am posing this question to you now, sir, in answer to the Senator's question: I say I think you have three things to do. You have to consider, first, the economic active fleet, rather, the commercial fleet that can economically be kept in being on a practical basis.

Senator MAGNUSON. Cut the cloth to fit the pattern.

Mr. TURMAN. I want to pose these three things before I answer you, sir, if I may. The second thing is, what is your national-defense requirement; and the third thing, what is, in doing that, going to be the most economical manner in which to do it from the taxpayers' standpoint? I think that is the problem before you right now.

Senator POTTER. What is the possibility of getting more bulk cargo, more goods and commodities for our tramps? I assume that is on the decline, or will be, if we ever get into a period of normalcy?

Mr. TURMAN. Could I come back to that after reading some of this, because I think some of this will unravel it as we go along?

Analysis of projected dry cargo and passenger fleet and the foreign trade: Our projections of the reasonably attainable fleet which may be employed in the foreign trade of the United States has been based on analysis of the patterns of American foreign commerce and the relationship of the American merchant marine to that commerce.

The foreign trade pattern: Any analysis of United States foreign trade as related to ocean transportation necessarily must consider: (1) The nature of world trade movements; (2) the position of the United States in relation to world trade movements; (3) the effect of the worldwide dollar shortage upon the United States trade—I may say that is a very, very important factor—(4) the effect on shipping of recent abnormal movements of cargoes resulting from United States foreign-aids program; (5) a breakdown of foreign-trade movements between liner-type cargoes and tramp-type cargoes; and (6) past and probable future availability of cargoes to American-flag vessels.

I should now like to include in the record a separate survey of the foreign trade of the United States, with supplementary analyses of the bulk movements whose curtailment will affect United States shipping the most.

This little pamphlet is a study which was prepared in connection with another hearing; was it not, Mr. Nemec?

Mr. NEMEC. Substantially so. It has been modified.

Mr. TURMAN. What I will say from here on briefs, to a large degree, this study, and the details could be found in that pamphlet.

Senator POTTER. That will be made a part of the record.

(The material referred to is as follows:)

## APPENDIX

## THE FOREIGN TRADE OF THE UNITED STATES AS IT AFFECTS OCEAN SHIPPING

### RECENT DEVELOPMENTS IN THE FOREIGN TRADE OF THE UNITED STATES

The postwar trade of the United States has been characterized by (1) a vast increase in the dollar volume of total exports; (2) a very considerable increase in the dollar volume of total imports; (3) sharp upswings in exports as a result of the European economic crisis in 1947 and again as a result of the post-Korean crisis in 1950–51; (4) a shift of some consequence in the composition of our exports as between crude materials, foodstuffs, semimanufactures, and finished manufactures; (5) a shift of some significance in the destinations to which our goods were shipped; (6) the persistence of a huge dollar gap, so far as most other countries are concerned, adjusted only by unprecedented financial aid from the United States.

1. United States exports averaged a little under $3 billion in the years 1936–38 and a little over $4 billion in the years 1939–41. From a level of $10.2 billion in 1946, they rose about 50 percent to $15.3 billion in 1947. This, of course, was the year of great emergency shipments to Europe. Exports declined progressively from the 1947 peak to $12.7 billion in 1948, $12.1 billion in 1949, and $10.3 billion in 1950. Following the Korean outbreak, they rose almost 50 percent again to $15 billion in 1951.

2. United States general imports averaged a little under $2.5 billion in 1936–38 and almost $2.8 billion in the years 1939–41. They have grown fairly steadily from just a little under $5 billion in 1946 to almost $11 billion in 1951.

3. The 1-year increase of more than $5 billion in United States exports from 1946 to 1947 is unexcelled in our peacetime history. It was almost matched by the post-Korean increase of close to $5 billion from 1950 to 1951. From the third quarter of 1950 to the second quarter of 1951, the rate of increase was particularly sharp, rising from less than $2.5 billion to more than $4 billion. Thus within a space of 9 months, exports stepped up from an annual rate of $9.8 billion to an annual rate of over $16 billion.

It is necessary to note, however, that the dollar increases in United States exports and imports were not matched by equivalent changes in the physical volume of trade. The unit values of United States exports and imports rose substantially from prewar to 1951. In terms of quantity, United States exports in 1946 stood a little more than double the 1936–38 average. The 50 percent increase in the dollar value of our exports from 1946 to 1947 was matched by only a one-third increase in the quantity of goods exported, when the quantity index stood at 275 as compared with 206 in 1946. The index fell below 200 in 1950, rising to 247 in 1951. Thus the increase in the quantity of exports from 1950 to 1951 was about one-fourth, as compared with an increase of about one-third from 1946 to 1947. On the import side, the quantity of imports in 1946 was 13 percent above that of the 1936–38 level. The rise in quantity from 1946 to 1951 was about one-third. For details, see table 1.

4. Changes of some significance have taken place in the composition of United States exports in the postwar period. In 1936–38, for example, crude materials comprised almost 23 percent of the dollar value of United States merchandise exports. In 1947, they were only 10.6 percent of the total. By 1951, they had risen to one-sixth of total exports. Foodstuffs in 1936–38 comprised only 10.5 percent of total exports. In 1947 and 1948, however, they comprised double that proportion, or almost 21 percent of total exports. Since that time, foodstuffs have again declined in relation to total exports, and in 1951 were 15.1 percent of the total. Semimanufactures in 1936–38 comprised 17.7 percent of total United States exports. At no time in the postwar period have they been more than 12 percent of the total. They have held steadily within the range of 11 to 12 percent. Finished manufactures have taken on a somewhat more important role in the total United States exports picture. From a position of less than 49 percent of total exports in 1936–38, they have comprised in the postwar picture some 55 to 57 percent of the total.

So far as United States imports are concerned, however, the distribution as between crude materials, foodstuffs, semimanufactures and finished manufactures has held relatively firm in the postwar period as compared with the prewar. For details, see table 2.

In examining the changes in the physical volume of United States exports in terms of the main components making up those exports, some significant distinc-

tions are to be noticed. While the physical volume of total United States exports in 1951 stood at 2.47 times the 1936–38 average, crude materials were at only 1.42 times the prewar average; crude foodstuffs were at 4.75 times the prewar average; manufactured foodstuffs were at 2.64 times the prewar average; semimanufactures were at 1.53 times the prewar average; and finished manufactures were at 2.98 times the prewar average. For details, see table 3.

5. In 1936–38, United States imports were 84 percent of United States exports. In dollar terms, the United States excess of exports over imports was less than $500 million a year. Other things being equal, this meant that other nations needed to pay less than a half billion dollars to the United States to balance out their trade accounts. From 1946 to 1951, United States imports expressed as a percent of exports were 48.4, 37.5, 56.3, 54.9, 86.2, and 73 percent, respectively. The annual figures for 1950 and 1951 are somewhat deceptive, however, because significant changes were taking place each quarter during those 2 years. In the third quarter of 1950, for example, immediately after Korea, United States imports were 97.4 percent of exports. By the fourth quarter of 1951, however, imports had declined to 61.6 percent of exports.

Expressed in terms of dollars, the annual excess of United States exports over imports beginning with 1946 and ending in 1951 were $5.2 billion, $9.6 billion, $5.5 billion, $5.4 billion, $1.4 billion, and $4.1 billion. Again going into the quarterly picture within the years 1950 and 1951, it is observed that in the third quarter of 1950, the excess of exports over imports was only $63 million. By the fourth quarter of 1951, however, exports exceeded imports by more than $1.5 billion, or an annual rate of more than $6 billion.

This persistent dollar gap, which has been maintained throughout the postwar period and which at the end of 1951 was at an extraordinarily high level for the European countries, has a very considerable bearing on the continued ability of these countries to buy United States merchandise. It is the element which, more than any other, raises serious doubt as to the ability of foreign countries to continue to buy United States goods in the future in quantities comparable with those of recent years.

### EUROPE'S POSTWAR ECONOMIC PROBLEMS AND UNITED STATES FINANCIAL AID

*The postwar picture in Europe*

At the end of hostilities in Europe in 1945, the economies of European countries were in a most precarious situation. Productive facilities were in part destroyed and economic organizations seriously disrupted.

Industrial production in many European countries was virtually at a standstill. In Belgium, France, and the Netherlands, for example, it was reduced to 30–40 percent of prewar. Industry's working capital was seriously depleted and, in countries which had been occupied, was almost nonexistent. The industrial manpower of Europe was displaced, exhausted, undernourished, and of diminished productivity. Intra-European trade was in a state of collapse. The inland transport system was badly deteriorated. Out of a total of 2 million freight cars, 300,000 were destroyed and 800,000 were damaged. Many important European ports, having been bombed or otherwise damaged, were closed to shipping. The tonnage of Europe's merchant vessels amount to only three-fifths of the prewar tonnage as a result of wartime shipping losses.

The impact of the war in terms of deterioration and physical destruction of agricultural capital—land, livestock and equipment—paralleled that of industry and transport. Production of bread grains in the immediate postwar period fell to only two-thirds of prewar.

In addition to the destruction and damage to Europe's physical and human resources, there were many less visible but nonetheless serious economic injuries. These included distortions in production patterns and trading relationships, monetary disorders, and disruption of normal economic relationships between the rural and urban populations. The normal flow of trade between Eastern and Western European countries was gradually choked off with the consequent need for seeking out new sources of supplies and new outlets. A vast area of raw material supply was cut off to the entire free world. Cost relationships were distorted. Distant sources of costly supply replaced nearby lower cost supplies. The United States had to undertake normally noneconomic functions to implement its objectives of helping in the restoration of Western Europe.

The devastation of industry and transport created abnormal demands for imports of materials and equipment for industrial production and the reconstruction of transport facilities. The destruction of agriculture similarly created

abnormal demands for importations of food and agricultural supplies from outside Europe. At the same time, the impoverishment and dislocation resulting from the war had drastically reduced Europe's ability to finance its huge emergency subsistence and reconstruction import requirements from exports and other means of payment. This resulted in a serious deficit in Europe's balance of international payments position, the effects of which have been reflected in the several "dollar crises" that have characterized the postwar period.

Many prewar resources which helped Europe to finance imports and which were reduced by World War II were: income from overseas investments due to the great reduction and impaired liquidity of her foreign assets; income from shipping services due to the loss and damage to commercial fleets; and income from tourist trade which dwindled to negligible proportions.

Europe was confronted with the urgent problem of getting back on its feet as a producer and of reestablishing its trade which was destroyed by enemy occupation. Many of its prewar sources of supply and markets were lost. The lack of free convertibility of most currencies in Europe, and varying degrees of inflation in European countries, handicapped the reestablishment of trade. Due to the instability of national currencies, there was widespread hoarding of privately owned foreign exchange.

In order to conserve their limited foreign exchange to help pay for the most urgently needed imports, European countries retained and in some instances tightened wartime controls over external transactions. Intra-European trade could develop only on a basis of bilateralism, since there was practically no scope for multilateral settlement. With supplies generally short in Europe, imports from other regions, especially the United States, became increasingly important. This, briefly, was the situation which confronted almost all countries in Europe at the end of World War II.

### POSTWAR UNITED STATES FOREIGN AID SUMMED UP

From July 1, 1945, through December 31, 1951, total net foreign aid extended by the United States amounted to $32,716 million. Of this, $23,409 million were grants; $9,307 million were credits. Of the grants extended, more than $1.9 billion were for lend-lease, all of which were expended before the inauguration of the European recovery program. Some $10.7 billion were for economic and technical assistance. Of this, $5.3 billion were expended in 1948 and 1949, some $2.8 billion in 1950, and $2.6 billion in 1951. Military aid amounted to something more than $2 billion. Of this, less than one-half billion dollars were expended in 1950 and approximately $1.6 billion in 1951. Civilian supplies amounted to more than $5.4 billion. Of this, about $2.4 billion were expended before the European recovery program, and some $3 billion thereafter, most of it in 1948 and 1949. UNRRA and post-UNRRA assistance exceeded $3.4 billion, most of which were expended before 1948. Greek-Turkish aid amounted to some $660 million, most of which were expended by the end of 1949.

### UNITED STATES ASSISTANCE TO EUROPE

Of the $32,716 million of net foreign aid extended through December 31, 1951, more than $23.5 billion were extended to OEEC countries and their participating dependent areas. Specifically, $873 million of assistance was extended to Austria; $726 million to Belgium-Luxembourg; $6,138 million to the United Kingdom and the British Commonwealth; $4,308 million to France; $3,550 million to Germany; $1,391 million to Greece; $2,303 million to Italy; $1,031 million to the Netherlands; $301 million to Turkey; $2,910 to other OEEC countries; and some $1,644 million to other European countries. See page 75 of Secretary Sawyer's report for detail of this foreign aid.

Not all of the above was economic assistance. The trends in economic versus military assistance to Europe are shown in the figures below:

[In millions of dollars]

| | Economic | Military |
|---|---|---|
| 1949 | 3,730 | 171 |
| 1950 | 2,719 | 578 |
| 1951 | 2,490 | 1,489 |
| 1952 (1st quarter) | 305 | 410 |
| Fiscal year 1952-53 | 1,300 | 3,100 |

### UNITED STATES AID TO EUROPE IN TERMS OF COMMODITIES

Just what United States economic aid to Europe meant in terms of actual shipments and expenditures for specific food, agricultural and industrial commodities for specific countries is summarized below. For the period April 3, 1948 to April 30, 1952, ECA–MSA expenditures for food and agricultural commodities for Europe totaled $5,255 million. Expenditures for industrial commodities totaled $5,193 million. Total program expenditures therefore were over $10.4 billion for the 4-year period. Of this, some $1,695 million were expended for bread grains; $417 million for coarse grains; $1,427 million for cotton; $351 million for fats and oils, including $84 million for soybeans and soybean oil; $58.5 million for feeds and fodder; $48.9 million for fertilizer; $1,268 million for petroleum products; $1,182 million for machinery and equipment; $671 million for nonferrous metals and products; $293 million for iron and steel mill materials and products; $274 million for chemicals and related products; $118 million for lumber and manufactures; $115 million for pulp and paper; and $105 million for nonmetallic minerals.

In addition to the outlay of $10,434 million for commodities during this period, the ECA—MSA paid ocean freight of some $841 million to transport them.

### THE GENERAL OUTLOOK FOR UNITED STATES EXPORTS

With the end of World War I and to an increasing extent since that time, the United States has been a creditor nation. This significant fact has never been reflected in American foreign economic and trade policy.

Before World War I, as a debtor nation, the United States sought to sell more goods to other countries of the world in order to earn the money with which to pay dividends on investments and interest on its debts abroad. We had, therefore, to strive to achieve a surplus of exports over imports. Since World War I, however, when the United States was a creditor nation, other nations sought to earn the dollars they required to pay interest on their debts to this country or dividends on United States investments in their countries by striving to sell us more goods than they bought from us. The rest of the world, however, has never been able to sell us more than they bought from us. On the contrary, United States exports have continued to mount at a rate faster than have its imports. As a result, a very large part of the total gold stocks of the world have moved to this country in payment of their trade deficits. Further, this country has had to write off time after time debts incurred to it by other countries because of their inability either to service those debts or to repay them. Finally, the United States has met the dollar trade deficits of other countries by giving them the money with which to buy its goods.

Of course, the balance of payments position does not rest on the balance of international commodity trade alone. Exports and imports may be invisible—as in the case of shipping, banking and insuranc services, tourist traffic, and the like. These invisible items of trade have not been sufficiently in favor of other nations to counterbalance to any significant degree their deficit position in merchandise trade.

These general comments bearing on United States trade with the rest of the world as a whole have been particularly true of United States trade with Europe. In the 6-year period 1946 through 1951 United States exports of merchandise to ERP countries in Western Europe totaled $27.5 billion. United States imports of merchandise from those countries totaled only $7.2 billion. The deficit of ERP countries in merchandise trade with the United States, therefore, amounted to $20.3 billion, well over $3 billion a year. This deficit was some $3.5 billion in 1946 and increased to a high of $4.9 billion in 1947. It then decreased progressively until it reached $2.1 billion in 1950. In 1951, however, it again rose to more than $3 billion. The details are shown in table 4.

Taking the total balance of payments position between the United States and ERP Western European countries for the years 1946 through 1951, total United States exports of goods and services were very close to $35 billion. United States imports of goods and services were approximately $13.8 billion. The deficit of ERP countries for goods and services combined was in excess of $21 billion. These details are shown in table 5.

It is clear that the persistent dollar deficit which has characterized United States trade with Europe in the past can be cured only by one or more of the following alternatives: (1) increased private foreign investments by Americans abroad; (2) a greatly expanded United States tourist trade abroad; (3) a vast increase in the volume of imports by the United States; (4) continued large-scale

financial assistance by the United States Government; (5) a sharp reduction in the volume of United States exports.

There is no reason to believe that there will be an increase in private United States investments abroad or in the volume of United States tourist trade abroad of a magnitude which would significantly affect the overall balance of trade position. Neither is there any indication that the United States is prepared to permit a vast increase in the amount of imports from Europe. On the contrary, according to the President's Council of Economic Advisers (Midyear Economic Report, 1952) "There has recently been growing pressure to increase restrictions on the entry of imports to the United States—through amendments to the Defense Production Act, through use of the 'escape cause' to revoke concessions made in reciprocal trade agreements and in other ways." Neither can it be assumed that the vast amounts of dollar assistance and aid extended by the United States Government to European countries in recent years will continue to be maintained at those levels. The action of the Congress in cutting economic aid to Europe from $2.4 billion in fiscal year 1951–52 to only $1.3 billion for the fiscal year 1953–54 is a case in point.

It must be concluded therefore that the tendency in the next few years will be for United States exports to decline. Again according to the President's Council of Economic Advisers, "Because of balance of payments difficulties, many nations have imposed import restrictions which may not only reduce their direct purchases from the United States, but also may force other nations whose earnings are impaired by the restrictions to take similar steps, with like effect on their buying of our products. No significant influence of import curtailments on United States exports was shown by the statistics for the first 5 months of 1952; some may be felt in the months ahead. Our exports also may be affected—either reduced quantity or reduced prices—by increasing competition in foreign markets, both from countries trying to correct a deficit position by export expansion, and by the reemergence of Germany and Japan as exporters of industrial products."

It would seem therefore, barring a sudden worsening of the international security situation, that United States exports to Europe must decline substantially over the next few years. That this trend is already beginning is clearly evident in the testimony presented to the House Subcommittee on Appropriations in connection with the mutual-security appropriation.

In advising the Congress, the Mutual Security Administration estimated that total commodity imports of 14 European countries in fiscal year 1952–53 from the United States would decline 10.4 percent from the 1951–52 level. For particular commodities or commodity groups the estimated changes were as follows: bread grains, minus 7.7 percent; coarse grains, minus 13.2 percent; total food and agricultural products, minus 4.2 percent; fuels, minus 40.2 percent; petroleum and petroleum products, minus 38.9 percent; industrial raw materials, plus 16.4 percent; capital equipment, minus 4 percent; total industry, minus 15.5 percent.

This forecast has been confirmed by the sharp restriction of export movements during 1952.

Prospects are that in future years:

1. General cargoes will reduce moderately;
2. Bulk cargoes will be sharply curtailed.

### POTENTIAL EXPORTS OF BULK COMMODITIES

During the postwar years, the provisions of the ECA–MSA Act insured American-flag participation in the large emergency movements of bulk commodities, principally coal and grain.

It is pertinent to inquire whether or not exports of these commodities may reasonably be expected to continue in the future.

#### Coal

The war disastrously disrupted coal production in Europe. About 35 percent of the German mines were destroyed or damaged, maintenance work had been neglected in the Czech and Polish mines, and a number of French mines suffered underground damage as well as the destruction of surface installations. In 1949 the total output of European producers was still 50 million metric tons less than it had been prewar. All countries had manpower problems to solve and productivity was low owing to lack of materials and equipment. The mining industry in the United Kingdom did not have to contend with the effects of direct war

damage, but had other problems of a more deep-rooted kind. Before the war coal had been a depressed industry. This was partly due, not only to the slackening in demand in the depressions of the twenties and thirties, but also to the expansion of coal production in other European countries—notably Germany and Poland—which began to compete more successfully in export markets. The result was an industry characterized by unemployment, low wages and bitter labor disputes. Capital had been discouraged from flowing into the industry, with the result that advantage was not taken of new mining methods or of the possibilities that existed for mechanization. During the war and in the postwar period attempts were made to increase productivity by schemes to coordinate the industry and to increase the extent of mechanization—equipment to the value of £5.5 million being installed by the end of 1945. The problem of attracting young recruits to the industry and holding them remained, however, a serious one.

As a result of various official inquiries made into the condition of the British coal industry in the interwar period, a number of controls on pricing, output, and selling had been initiated in an attempt to ameliorate its difficulties. In 1944 another committee was appointed and the following year the Reid report affirmed that drastic technical reorganization was essential if the industry was to become efficient. It also expressed the opinion that private ownership had resulted in an excessive number of ill-planned mines of inadequate capacity and had militated against the closing of uneconomic pits and the concentration of mining operations. The committee considered that the necessary developments could not be satisfactorily carried through under the existing organization. In 1946 the Coal Industry Nationalization Act was passed and the responsibility for the working and development of the mines was given to a board appointed for a limited term of office by the Minister of Fuel and Power, and through him responsible to Parliament.

The United States is the largest producer of coal, mining approximately 40 percent of the world total of roughly 1.5 billion metric tons in 1948. The United kingdom contributed 14 percent to the total, while among the continental European producers Germany, France, and Belgium produced 6 percent, 4 percent, and 2 percent, respectively. Poland and the U. S. S. R. together are believed to have produced about 20 percent, while Japan supplied 2 percent. Among the overseas sterling area countries which produce coal are India, Southern Rhodesia, the Union of South Africa, Australia and New Zealand. As a whole these countries are self-sufficient, while some have small export surpluses—notably the Union of South Africa and India.

All the main producing countries have supplies of bituminous coal while the United States, the United Kingdom, and Belgium are the principal suppliers of anthracite. The main producers of lignite are Germany, Czechoslovakia, and Hungary. Coal is an exhaustible resource, but the world's reserves are known to be enormous. China is believed to be rich in coal although little has been done as yet to tap this wealth (or even to estimate its extent) except in a few parts of the country—notably in Manchuria. In India, Korea, and some other Asiatic countries surveys, still very incomplete, indicate large quantities underground. Of the countries in which the current levels of production are high the largest reserves are in the United States and Russia. Among the Western European countries Germany probably has the largest total reserves. Britain, in spite of its long history of mining, still has reserves left which are only slightly smaller than those of Germany and are of better quality. Although many of the mines at present operating in the United Kingdom are old and some have already taken out most of the coal that can be economically reached from the existing shafts, there are still good, new seams to be opened up in many parts of the country when the necessary capital can be made available for the purpose.

### INTERNATIONAL TRADE

The principal exporters of coal are the United States, Britain, Germany and Poland. Due to differences in the quality and grades of coal produced, the pattern of trade tends to be very complex, most producing countries, large or small, being both importers and exporters. Before the war the main importers were France, which relied for 35 percent of its coal supplies on outside sources, and Italy, which was almost wholly dependent on imports. Other countries almost exclusively dependent on imports were Denmark, Luxembourg, Norway, Sweden and Switzerland. In prewar years practically no coal was shipped from the United States to Europe.

The average value of British coal exports in the period from 1934 to 1938 was £37 million. In 1948 they stood at £44 million and by 1949–50 had increased to

£68 million. The value figures were higher than prewar in spite of the quantities exported being lower. This was due to the fact that coal prices had doubled by the end of the war and by 1950 were two-and-three-quarter times as high as before it began. The largest yearly rise occurred in 1948. British postwar export prices were considerably higher, being just below the European import prices for United States coal of comparable quality (as were those of the other main European exporters). Inland prices on the whole averaged £1 less per ton than export prices in 1949, and the difference had been greater before the upward revision of domestic prices towards the end of 1948. Prices to British buyers were kept below those in the external market as part of the policy to check inflation and encourage industrial production. This was a reversal of the prewar situation in which export prices had been considerably less than inland prices. Under those conditions importing countries had been able to develop their industries on equal terms with the exporting countries even though high freight charges had to be added to the f. o. b. coal price. Such countries have been seriously affected by postwar conditions.

The main effect of the devaluation in 1949 on the trade in British coal was to strengthen its position in the European market, since the soft currency prices of German supplies tended to rise. Export prices for Ruhr coal were quoted in dollars, and even after some downward revisions had been made they were slightly higher than British prices for similar qualities of coal, whereas before devaluation they had been lower. Britain's National Coal Board did not institute overall price increases after devaluation, but did raise the value of some types, principally the better quality coal most in demand both at home and abroad.

In an average prewar year Britain exported 40.7 million long tons of coal. At the end of the war, exports had fallen to less than a tenth of that amount. After a slight recovery in 1946, they fell in 1947 to 3 percent of the prewar level. In 1948 they had increased to 30 percent and continued to rise gradually until in 1949–50 they reached 18.3 million long tons—45 percent of prewar. The constantly rising consumption curve in the United Kingdom put a squeeze on supplies in the winter of 1950–51, and coal exports in that 12-month period were cut back to the 1946 level.

Prewar the United Kingdom was one of the most important suppliers in the European coal market and 65 percent of its exports went to this area. Of this France took 23 percent, Denmark 10 percent while Italy and Sweden took approximately 6 percent each. Ireland and the other Sterling Area countries took 10 percent while 5 percent went to Canada and 6 percent to Argentina (see table 6). The United Kingdom was deprived of its European markets after 1940 and its exports were considerably reduced thereafter, although some shipments were still made to Ireland, Spain, Portugal, Canada, and South America.

The United Kingdom's domestic coal deficiencies were accentuated by the hard winter of 1947, and exports were not resumed on a large scale till 1948. Poland began to export again by the end of 1945 and by 1948 its exports were approximately equal to the prewar level. Western Germany exported a large part of its low output, but this was less than half of the prewar amount.

After 1948 United Kingdom trade began to show a greater resemblance to the prewar pattern, the main difference being that France and Canada now imported a considerably reduced proportion of the total, while the shares going to Denmark, Italy, Sweden and Ireland were larger. In 1948 Canada accounted for approximately 1 percent of the United Kingdom's total coal exports. After the devaluation of the pound, however, British coal became more attractive and a slight increase in Canadian imports took place.

One of the most striking features of the international trade in coal in the postwar period was the movement of large quantities from the United States to Europe. The cost of this coal, which had to be paid for in dollars, was high, including as it did heavy freight charges. United States exports to Europe reached a peak of 37 million short tons in 1947. These may properly be regarded as emergency shipments. In the following year they dropped back to about 19 million tons. In 1948, 36 percent of total United States exports went to France, Italy and other OEEC countries. By the second quarter of 1950 exports to France and Italy were negligible while those to other continental countries were considerably reduced. The following winter, however, saw a revival of United States coal exports to Europe.

In the prewar period however, it will be noted from table 7 that substantially all of the net exports of the United States were to Canada, only relatively small quantities going to other countries; substantially all of this prewar trade moved via the Great Lakes. It appears that as a consequence of the revival of British

production and effective European cooperation under the Schuman plan, the prewar pattern will be reestablished and the relatively high-cost American coal will be once again excluded from the emergency-created European markets.

### GRAINS

Wheat (both soft and hard) and the coarse grains, comprise the major items to be considered as the other possible larger sources of bulk cargo.

#### SUMMARY OF WHEAT EXPORT PROSPECTS

The early postwar period saw a serious crisis in the European wheat situation, due to catastrophic declines in local production and curtailment of available supplies from Eastern Europe. This crisis was met in large part by the United States and Canada which increased their production and exports to Western Europe tremendously. More recently, United States and Canadian exports have also balanced the decline in Argentina's production and exports and even more recently, the decline in Australian exports to Western Europe as well. Another factor of some consequence has been the sharply increased demand for wheat in the Far East, notably by Japan and India, which required the diversion of large shipments of wheat from the United States, Canada and Australia. It should be noted that reference in this report to wheat exports include the wheat equivalent of wheat flour.

Since the early postwar period, there has been a substantial recovery in domestic production of wheat in western Europe. This reduced import requirements from the leading western suppliers—the United States, Canada, Australia and Argentina. (For convenience of reference, Australia is included as a western supplier.) In 1951, however, as the result of the Korean aggression, western European countries increased their imports of wheat substantially to build up their stocks and to guard against future price increases. Their heavy purchases from the United States in 1951 were assisted by liberal dollar grants, as well as by temporarily increased dollar earnings due to price increases in tin, rubber and other strategic materials under their control.

Eastern Europe has not returned to the world export picture in any significant degree in the postwar, although in 1951–52 for the first time the Soviet Union shipped some 200 thousand tons of wheat to the United Kingdom. Highly significant has been the fact that due to bad weather and economic and political policies pursued by Argentina, that country's production and exports have been far below the prewar level. The United States, along with Canada, has shared the burden of the deficit created by the Argentine situation.

Exports from the United States to Western Europe declined substantially in 1951–52 from the level of 1950–51, with tonnage dropping something more than one-sixth, from 5.9 million tons to 4.9 million tons. In the period January-May 1952, United States exports to Western Europe were 14 percent lower than they were in the same months of 1951. The Mutual Security Administration estimates a further drop in United States grain shipments to Western Europe of 8 percent from the 1951–52 level in fiscal year 1952–53.

Looking beyond 1952, further declines may be anticipated in the level of United States wheat exports to Western Europe. Higher domestic production may be anticipated in Western European countries, spurred by dollar shortages and desires to correct deficit positions in their balance of payments. Increased production and exports may be expected in Australia and particularly in Argentina. Improvement in the world rice position will reduce Far Eastern imports and increase the export availabilities of Australia and Canada for Western Europe. This again will reduce the strain on United States supplies. All in all, it may be estimated that in the years beyond 1952, United States exports of wheat to Western Europe will decline to a level substantially below the 1951–52 level. In time we believe the normal prewar pattern will be reasserted and the United States will resume its historic role as a residual supplier to the world.

#### WORLD WHEAT PRODUCTION AND TRADE PREWAR AND POSTWAR

In the period 1934–38, world wheat production (exclusive of the Soviet Union) averaged 128.7 million metric tons per year. Of this, about one-third (42.3 million tons) was produced in Europe; a little more than a fourth (34.8 million tons) in the Far East; a little more than one-fifth (26.6 million tons) in North America; and the remaining one-fifth was distributed among Latin America, the Near East, Africa and Oceania.

The four major exporting nations in the Western World were the United States, Canada, Australia, and Argentina. Combined, these exported an average of 12.1 million tons of wheat and wheat flour per year in 1934–38. Of this, 4.8 million tons came from Canada; 3.3 million tons from Argentina; 2.9 million tons from Australia; and 1 million tons came from the United States. The million-ton average of the United States occurred principally in 1937–38 and was due largely to crop failures in Canada and the Argentine in those two years. About two-thirds of this total tonnage, or 8.6 million tons, went to European countries, the balance being spread rather widely. For details, see table 8.

The 8.6 million tons imported by European countries from the United States, Canada, Australia and Argentina before the war did not comprise the total imports of these countries. Perhaps 3 million tons of wheat in addition were imported by European countries from Eastern Europe, the Soviet Union and other sources.

Several factors of major significance in the postwar years have distorted production and distribution pattern in wheat.

(1) One highly important factor was the extremely low level of wheat production in Europe in the early postwar period. In 1946, for example, wheat production in Europe totaled to 33.3 million tons, or only 79 percent of the prewar average of 42.3 million tons. In 1947, Europe's wheat production dropped even further to 23.4 million tons, or only 55 percent of the prewar average. These disastrously short crops in wheat were matched by parallel declines in European production of rye, another important bread grain. Compared with average rye production of 19.1 million tons in the 1934–38 period, European rye production fell to 12.5 million tons in 1946 and 11.9 million tons in 1947. Taking the two major bread grain crops together, total European production declined from 61.4 million tons in 1934–38 to 45.8 million tons in 1946 and to only 35.3 million tons in 1947. Thus European bread grain production in 1947 was only 57.5 percent of the prewar average. For details, see table 9.

Obviously, these extremely short crops necessitated considerable increases in Europe's wheat imports. This explains why exports of wheat and wheat flour from the United States, Canada, Australia, and Argentina to the leading western importing nations rose from an average of 7.8 million tons in 1935–39 and 7.1 million tons in 1946–47 to 16.6 million tons in 1947–48 and 15.4 million tons in 1948–49.

(2) Another factor of major importance which has contributed to the distortion of world wheat production and trade in the postwar period has been the virtual disappearance of the Soviet Union and certain Eastern European countries from the world export market. Before the war, these countries supplied large quantities of wheat to Western Europe. The Soviet Union and Rumania alone supplied approximately 1 million tons of wheat to Western European countries, chiefly to the United Kingdom, Belgium, Greece, and Italy. For most of the postwar period, wheat exports from Eastern Europe and the Soviet Union have not been forthcoming.

In 1951–52, however, the Soviet Union agreed to supply 200,000 tons of wheat to the United Kingdom. It is anticipated that this trade agreement will be renewed for 1952–53.

(3) A third major factor in the distorted postwar trade picture was the outbreak of aggression in Korea. In the latter part of 1950 and in 1951 fears of impending shortages and anticipations of rapidly rising prices led to large scale European purchases of wheat in excess of actual consumption needs, a good deal of which was for inventory accumulation purposes. This accounts in part for the very sizable increases in European imports of bread grains in 1951.

(4) The sharp increases in European import requirements in the postwar period were responsible for large increases in production and exports on the part of both the United States and Canada. United States production, which averaged about 20 million tons in 1935–39, has averaged close to 30 million tons postwar. United States exports, which averaged only 1.6 million tons from 1935–39 have averaged close to 10 million tons postwar. Canadian production, which averaged about 8 million tons in 1935–39, has averaged about 11.3 million tons postwar and Canadian exports increased from an average of 4.7 million tons in 1935–39 to about 6 million tons per year postwar.

United States and Canadian production and exports have been increased even more because of the serious decline in Argentinean production and exports in recent years. Whereas prewar Argentine wheat production averaged 6 million tons and exports averaged 3.3 million tons per year, Argentina's exports in the postwar period have averaged fully 1 million tons less than they did before. In

1951–52, Argentinean production was only 2.3 million tons and exports were only 800,000 tons—2.5 million tons below the prewar average.

(5) Another changing factor in the postwar wheat distribution pattern has been the abnormally large imports of wheat by Japan and India. Before the war Japan imported approximately 300,000 tons of wheat per year. India imported less than 50,000 tons. In 1951, India imported 3.3 million tons of wheat, while Japan imported 1.6 million tons of wheat. The Far East as a whole, which imported 1.3 million tons of wheat on the average before the war, increased its imports to 6.7 million tons in 1951.

This extraordinary increase in the imports of wheat by Far Eastern countries, particularly India and Japan, has been due primarily to the postwar rice shortage. Rice exports in 1951 were approximately 3.4 million tons below the prewar average. This rice deficit was largely concentrated in Burma, whose exports in 1951 were little more than one-third prewar level.

The high postwar imports of Japan and India are bound to decline as rice production and export availabilities improve in coming years. While the bulk of wheat imports by India and Japan have come from the United States, significant tonnages have been shipped by Canada and Australia as well. In 1951, for example, Canada exported 415,000 tons of wheat to Japan, and 277,000 tons to India. Australia shipped 189,000 tons of wheat to India, and 28,000 tons to Japan. The combined Canadian and Australian 1951 tonnage to these two Far Eastern countries totaled 909,000 tons. Future reductions in wheat imports by Japan and India from Canada and Australia will enable these suppliers to ship more wheat to Western Europe.

(6) Finally, it must be kept in mind that Europe's disposition to look increasingly to dollar sources for wheat imports in the postwar period was facilitated by very large financial grants from the United States which enabled them to finance huge wheat imports from the United States. From April 3, 1948, to April 30, 1952, alone, ECA-MSA assistance for the procurement of bread grains in the United States totaled $1,754,800,000.

### THE OUTLOOK FOR UNITED STATES EXPORTS OF WHEAT

There is solid evidence that United States exports of wheat to the United Kingdom, the Continent, and the Mediterranean area will decline substantially in 1953 from the 1951 and 1952 levels.

United States exports to Europe in the crop year 1951–52, at 4.9 million tons, were 1 million tons lower than the 5.9 million tons shipped to Western Europe in 1950–51. In the January–May period, 1952, United States wheat and wheat flour exports to Western Europe were 14 percent lower than in January–May 1951. European wheat stocks were built up in 1951 by exceptionally heavy imports, and United States dollar grants were available in abundance to help finance those purchases. The European grain crop in 1951 was quite satisfactory, particularly in Southern Europe and the Mediterranean area. ECA-MSA estimates that in 1951–52, $411 million worth of bread grain will have been shipped from the United States to 14 Western European countries. ECA-MSA also estimates that for fiscal 1952–53 (based on a much lower scale of authorized economic assistance) shipments of bread grains will decline to $379.1 million, 8 percent below the 1951–52 dollar figure.

Taking all of these factors into account, it would seem reasonable to estimate a further reduction of at least 10 to 15 percent in wheat exports from the United States to the United Kingdom, the Continent and the Mediterranean area in 1953.

Looking beyond 1953, it seems clear that United States wheat exports to Western Europe must decline substantially from recent and current levels. The return of normal wheat crops in Australia with better weather should raise that country's exports to Europe from 300,000 to 500,000 tons above current level. Any substantial improvement in the Argentine production and exports picture could bring increases in exports from that country to Western Europe of 1½ million tons to 2 million tons. Such an improvement is definitely on the way, as may be seen in the note on Argentina included in the coarse grain section of this report. Further, the expected improvement in world rice production and export will reduce the demand by Japan and India for wheat imports, thereby enabling suppliers such as Australia and Canada to ship more wheat to Western Europe, and reducing dollar purchases from the United States.

Finally, reduced dollar economic aid from the United States to Western Europe and ever-increasing efforts on the part of those nations to improve their desperate balance of payments position, are bound to spur these nations' efforts to improve

domestic production and to obtain increasing supplies from exporters other than the United States.

The prospective range of wheat from the United States to Western Europe for the years immediately beyond 1952 will register further substantial declines as the United States reassumes its historic role as a residual supplier to the world.

### SUMMARY OF COARSE GRAIN EXPORT PROSPECTS

Before the war, approximately five-sixths of all the coarse grains (corn, barley, oats, sorghum) imported by Europe from the four leading Western suppliers (United States, Canada, Australia, Argentina) came from Argentina. Eastern Europe was a surplus area, shipping large quantities of coarse grains to Western Europe. North Africa was also an important supplying region.

In the early postwar years, large declines in European domestic production and the sharp curtailment of supplies from other sources placed the main burden of supply responsibility on the four Western suppliers. Production in the United States and Canada rose substantially. United States exports to Western Europe increased threefold and fourfold to meet the need.

Recovery of domestic production in Europe in more recent years has corresponded with huge declines in Argentine production and exports to western Europe. Thus, the United States has continued to carry the lion's share of the supply responsibility, and has indeed made possible huge imports of coarse grains from the United States by financial grants in aid to the leading European importing countries. ECA–MSA grants to western Europe resulted in procurement authorizations for $433 million worth of coarse grains from April 3, 1948, to April 30, 1952. This was equal to more than 6 million tons of corn.

It seems clear that United States exports of coarse grains to Europe reached a peak in 1950–51, when they totaled 3.1 million tons. They declined almost one-sixth to 2.6 million tons in 1951–52. There are compelling indications that 1952–53 will see another decline, though not perhaps quite as large as that of the year before.

Looking beyond 1952 to the years immediately ahead, it must be anticipated that Argentine production and exports to western Europe will increase substantially, and that United States exports of coarse grains to Europe will decline to a very modest level.

### INTERNATIONAL TRADE

Most of the coarse grains produced are fed to livestock without being moved off the farms where they are grown. The proportion of the total output entering into international trade is small—7 percent in prewar years and about 5 percent in the postwar period. Tonnages shipped by the principal exporters may be seen from the table below. Of the world's exports of coarse grains before the war, 85 percent was corn. Argentina's corn exports alone accounted for just under half of world exports of coarse grains. During the war, the Allied blockade of western Europe and the shortage of shipping space brought the ocean movement of coarse grains almost to a standstill; in the postwar period both supply conditions and financial difficulties have played a part in keeping the trade below its prewar level. The outstanding feature of the postwar period has been the greatly increased importance of the United States as an exporter of corn. Its large harvests enabled it to replace to some extent supplies previously obtained by western Europe from Argentina and from the Danube Basin (the latter amounting to about 8 percent of the world total in prewar years).

*Coarse grain exports*

| Grain | Exporter | Annual average 1934–38 | 1943 | 1948 | 1949 |
|---|---|---|---|---|---|
| Corn, barley, and oats | Argentina | 7,230 | 290 | 3,280 | 1,460 |
| | United States | 1,060 | 140 | 1,110 | 4,340 |
| | Canada | 430 | 2,090 | 800 | 730 |
| | Australia | 70 | 20 | 580 | 360 |
| | Rest of sterling area | 680 | 180 | 330 | 460 |
| | All others | 4,330 | 490 | 2,800 | 2,840 |
| | World total | 13,800 | 3,210 | 8,900 | 10,190 |
| Corn | Argentina | 6,530 | 190 | 2,530 | 1,060 |
| | United States | 800 | 130 | 600 | 3,400 |
| | Canada | (1) | (1) | (1) | (1) |
| | Australia | (1) | (1) | 20 | 20 |
| | Total | 7,330 | 320 | 3,150 | 4,480 |
| Barley | Argentina | 330 | 40 | 660 | 200 |
| | United States | 210 | 10 | 300 | 640 |
| | Canada | 290 | 960 | 410 | 380 |
| | Australia | 70 | 20 | 250 | 220 |
| | Total | 900 | 1,030 | 1,630 | 1,440 |
| Oats | Argentina | 370 | 60 | 90 | 200 |
| | United States | 50 | (1) | 210 | 300 |
| | Canada | 140 | 1,130 | 390 | 350 |
| | Australia | (1) | (1) | 310 | 120 |
| | Total | 560 | 1,190 | 1,000 | 970 |

[1] Negligible.

Sources: FAO Yearbook of Statistics, 1950, vol. 2, Trade. Commonwealth Economic Committee: Grain Crops.

## Coarse Grain Exports

The postwar picture of barley and oats exports is very different from that of corn. These exports have been maintained at levels well above those of the prewar period. Australia has now entered the oats market with shipments as large as any of the other three main exporters. At the same time its barley exports have greatly increased. Argentina's exports of barley in 1948 were about double what they were before the war. Two lean years followed with poorer crops and lower exports. The United States is once more an exporter and on a much larger scale than before the war. Its exports of oats in 1949 were six times the prewar figure and those of barley three times as big. Coarse grain exports of the overseas sterling area countries amounted, in 1949, to only 8 percent of the world total, the main constituents being corn from South Africa, barley from Australia and Iraq, and oats from Australia. South African exports were rising before the war, but a series of droughts, together with the wartime shipping shortage, drastically interfered with this trade. After the war, as soon as favorable seasons were again encountered, exports were resumed on a considerable scale. The sterling area's share of world exports of barley has always been greater than its share of corn exports. Iraq exports were almost three times those of Australia in prewar years. Both countries lost their markets during the war, but recovered them as soon as the war ended.

The flow of supplies is mainly from the vast producing areas of the American continent to the areas of intensive livestock farming in Europe. Before the war, European countries took about 80 percent of total exports of the four main exporting countries shown in the table above—the United Kingdom itself taking 40 percent. In 1943 Britain imported only 3 percent of the quanity of coarse grains that it did before the war, and throughout the postwar period its imports were held down to less than half of the prewar volume.

The geographic pattern of United States exports will be observed from table 10. It will be noted that in 1934–38 the United States was a net importer of coarse grain.

ANALYSIS OF ARGENTINA AS A PRODUCER AND EXPORTER

Because of the great importance of Argentina in the coarse-grain picture, some extended discussion of that country's current position and prospective production and exports is in order here.

It is plain that the future outlook for the export of grains from the United States depends in large part on the future level of exports from Argentina. This applies with respect to wheat and especially with respect to corn and the other coarse grains (barley, oats, and sorghum).

In recent years exports of grains from Argentina have been far below her prewar normal export levels, and also far below her exports in the early postwar period. This has been due primarily to two factors, (*a*) exceedingly poor weather conditions which have resulted in abnormally low yields and (*b*) the economic policies of the Peron Government.

So far as weather is concerned, it is plain that the abnormal and highly unfavorable weather conditions of the last few years cannot long be continued. This alone must bring about in the near future a substantial increase in Argentina production and export availabilities in the bread and feed grains.

So far as the political influences which have adversely affected Argentina's grain production and exports are concerned, some explanation of recent developments is in order. Early in the postwar period the Peron regime decided upon a program of industrialization for Argentina. In order to finance this program of investment and industrialization, the Government set up a state monopoly for the purchase and sale of grain crops. This organization (the IAPI) set out to purchase grains from the farmers at relatively low domestic prices, and to sell them in export at substantially higher prices. The profits of this price differential accrued to the Government rather than to the grower of the crops. Simultaneously a number of other government policies adversely affected grain production. The Government's policy of raising wage rates in the towns led to a very significant movement of farm labor to the towns, leaving the rural areas without an adequate supply of farm labor. At the same time, the Government did not make available sufficient foreign exchange for the importation of badly needed farm machinery, equipment, and replacement parts. These deterrents to grain production brought about a substantial decrease in the acreage planted in grains, and consequently in grain production and export availability.

However, it is plain that the Argentine Government has come to realize that it can no longer continue the policies responsible for these sharp decreases in grain production and exports. The Argentine economy is vitally dependent on the large-scale importation of fuel and lubricants; timber and its manufactures; chemical and pharmaceutical products; stone, glass and ceramic products, iron and steel manufactures; machinery; rubber; paper and paperboard products; textiles; and many other products. These vitally needed imports can be financed only by the large-scale export of grains, livestock and livestock products. The serious decline in Argentina's grain exports has already severely damaged her economic fabric and structure and threatens its complete collapse. The Government has therefore taken a number of steps to bring about increased grain production and exports.

More liberal credit has been extended to farmers. More favorable prices have been promised to growers, including compensation for increases in the cost of grain production. Restrictive measures earlier imposed on Argentine grain producers have been liberalized or lifted. A program to make farm machinery and equipment available to farmers on a rental basis has been inaugurated. The military has made manpower available for the grain harvests.

As a result of these measures, plus far more favorable weather conditions, the outlook for the 1952–53 crop year is much improved. A Foreign Service dispatch dated July 2, 1952, to the Department of State points out that the 1952–53 crop is beginning in Argentina with soil conditions, moisture, and temperature more favorable than at any comparable time in the last 5 years. This has a significant bearing on prospects for alleviation of the serious economic difficulties which now exist. It is expected that planting of wheat will amount to 6 to 6½ million hectares, as compared with 4.8 million hectares in 1951–52. The principal factors responsible for this increase, according to the dispatch, are the generally favorable planting season, the ample rains, the growers' urgent need for a cash crop, and the liberal availability of credit for planting the grain. The dispatch points out that the guaranty price also appears favorable. "If weather conditions continue reasonably good, Argentina can have a wheat crop of 5 to 5½ million tons, filling domestic needs and providing 1.5 million tons for export." With respect to

other grains the report states that most of the barley and oats are yet to be planted, but general increases are indicated. It is plain, therefore, that the outlook for 1952–53 is for a substantial increase in Argentine production and export, relieving to this extent the pressure of European needs on the United States economy.

With respect to the longer term outlook for Argentine grain production and exports, Argentina's determination to restore her grain production and export to historic levels is revealed in the details of the second 5-year plan, scheduled to begin in 1953. According to the United States Embassy dispatch D–1472 dated April 1, 1952, wheat plantings in Argentina were 7.2 million hectares in 1939, 6.6 million hectares in 1950, and 4.8 million hectares in 1951. The recommended wheat goal for 5 years beginning 1953 is for 7.5 million hectares, an increase of 15 percent over the 1950 level and of 57 percent over the 1951 level. In the case of corn, 1939 plantings were 7.2 million hectares, 1950 plantings were 2.4 million hectares, and 1951 plantings were 2.8 million hectares. The 5-year recommended goal is 3.8 million hectares, an increase of 55 percent over the 1950 level. In the case of barley, the 5-year goal is 1.2 million hectares as compared with 858,000 in 1939 and 898,000 in 1950, an increase of one-third over 1950. In the case of oats the recommended 5-year goal is 1.6 million hectares, as compared with 1.4 million in 1939 and 1.3 million in 1950, an increase of 25 percent over 1950 levels.

While the 5-year plan is no assurance that plantings will reach the stated goals, it does provide a clear indication that the Argentine Government is aware of the need to increase grain output tremendously, and that it is planning to achieve such production increases. Action along these lines will result in vast increases in export availability. It is significant in this connection that the dispatch from our Embassy states, "In general, the goals are within reach of Argentine capacity and could be accomplished in the next 5 years if proper incentives are offered to growers."

The following dispatch from the United States Embassy in Argentina is significant:

"Subject: Crop and livestock increases recommended by Argentine Government.

"Apparently the Argentine Government hopes for the return of wheat production to prewar levels, together with a large increase in forage crops, but does not contemplate a full recovery in corn and flaxseed. These conclusions are drawn from recommendations for various crops listed by the Minister of Finance recently when announcing arrangements for 'planned agricultural credit.'[1] It is understood that the percentage increases from 1950 were submitted originally by the Ministry of Agriculture as goals for agriculture in the 'second 5-year plan' to begin in 1953.

"The desired increase of 20 percent from 1950 for grains, flaxseed, and alfalfa would return overall plantings roughly to the 1939 levels but there would be a significant shift in crop distribution. The planting goal for wheat is slightly above 1939. Substantial increases are recommended for barley and oats and extraordinarily large increases are desired for rye and alfalfa. In contrast, the goals for corn and flaxseed are established at little more than half the prewar levels.

"It is significant that the percentage increases from 1950 for corn and flaxseed, even to return them only to half the 1939 level, are 55 percent and 45 percent, respectively, far larger than recommended for other crops. Plantings have fallen so far since 1939 that the Government evidently sees little hope for reestablishing these crops to their former importance. This fact is important especially to European buyers who since the war have been anticipating the eventual recovery of Argentina as a major source of corn and flaxseed.

"Only small increases from 1950 are recommended for livestock. Since numbers of cattle and sheep in 1950 were already above prewar, this would mean a stabilization of numbers at the relatively high levels of 40 million for cattle and 50 million for sheep.

"Judging from the high goals for alfalfa and forage grains compared with small increases desired for livestock, the apparent intention is to raise livestock production chiefly through more intensive production. This could include greater dairy output together with more rapid and better fattening of cattle.

"No goals have been announced for sunflowerseed, cotton, or other important crops. Current plantings for such crops mostly are above prewar. One difficulty

[1] See Embassy dispatch 1430, March 21, 1952, Argentine Credit Controls Designed To Increase Production of Specific Crops.

Source: D–1472 of Apr. 1, 1952, U. S. Embassy, Buenos Aires.

in the present situation is the fact that sunflowerseed now occupies about 1 million hectares of land which in 1939 was planted to corn.

"In general, the goals are within reach of Argentine capacity and could be accomplished in the next 5 years if proper incentives are offered to growers. Sufficient land is available and the desired shifts between crops already are far advanced."

*Increase in agricultural production recommended as part of Argentina's second 5-year plan, beginning 1953*

| | Increases recommended over 1950 [1] | Equivalent 5-year goal [2] | 1950 [3] | 1951 [3] | 1939 [3] |
|---|---|---|---|---|---|
| Crops: | *Percent* | *Thousands of hectares* | *Thousands of hectares* | *Thousands of hectares* | *Thousands of hectares* |
| Wheat | 15 | 7,537 | 6,554.2 | 4,800.0 | 7,216.8 |
| Corn | 55 | 3,780 | 2,439.0 | [4] 2,800.0 | 7,200.0 |
| Rye | 15 | 2,520 | 2,191.2 | 2,008.0 | 929.1 |
| Barley | 35 | 1,212 | 898.0 | 875.5 | 858.6 |
| Oats | 25 | 1,638 | 1,310.6 | 1,212.8 | 1,394.6 |
| Flaxseed | 45 | 1,577 | 1,087.4 | 664.0 | 3,075.5 |
| Alfalfa | 20 | 8,160 | 6,800.0 | [4] 6,800.0 | 5,402.4 |
| Total | | 26,424 | 21,280.4 | 19,160.3 | 26,077.0 |
| Livestock: | *Percent* | *Million* | *Million* | *Million* | *Million* |
| Cattle | 3 | 40.0 | [4] 39 | [4] 37 | [4] 35 |
| Sheep | 4 | 50.0 | [4] 48 | [4] 50 | [4] 44 |
| Swine | 12 | 3.4 | [4] 3 | [4] 3 | [4] 3 |

[1] Presented by Minister of Finance on March 19, 1952.
[2] Calculated by Embassy.
[3] Official data except as indicated.
[4] Estimated by Embassy.

Source: 1472, B. A.—April 1, 1952.

THE OUTLOOK FOR THE EXPORT OF COARSE GRAINS FROM THE UNITED STATES

United States exports of coarse grains to Western Europe declined more than 500,000 tons in 1951–52 as compared with 1950–51, a drop of approximately one-sixth. In the first 5 months of 1952, they dropped 8 percent from the level achieved in the first 5 months of 1951. Estimates presented by the Mutual Security Administration to the House Appropriation Committee indicate that in the fiscal year 1952–53, exports of coarse grains from the United States to 14 Western European countries will total $241.9 million, a decline of more than 13 percent from the estimated $278.8 million shipped in 1951–52. There thus seems to be sound reason to anticipate a rather marked decline in United States exports of coarse grains to Western Europe in calendar year 1952.

Looking beyond 1952, indications are for far more substantial declines in the level of United States coarse grain exports. The most significant factor in this forecast is the expectation that Argentinean production and exports will rise very substantially above recent and current levels. Other significant elements in this appraisal are the gradual return of Eastern Europe and other sources of supply to the world export market, and continued effort by Western European countries to improve domestic production and to shift imports to the maximum extent possible from the United States to other suppliers. It would seem reasonable to anticipate a decline in United States coarse grain exports to Western Europe from the 2.6 million tons shipped in 1951–52 to the prewar level of about 1 million tons in the years ahead.

SUMMARY OF BULK COMMODITIES

It does not appear that the United States will continue as a major exporter of bulk commodities in the years ahead (the sole exception being perhaps the export of coal to Canada via the Great Lakes).

We have estimated possible normal annual exports of coal and grain as follows:

| | Tonnage | Shiploads |
|---|---|---|
| Coal | None | None |
| Wheat | 2,000,000 | 250 |
| Coarse grains | 1,000,000 | 125 |
| Total | 3,000,000 | 375 |

Assuming exports of 125 shiploads of all other bulk cargoes (such as sulfur and phosphate rock), this would increase the total to about 500 shiploads and would provide employment for a maximum of about 75 Liberty-type vessels. However, for the reasons set forth in the body of this report, we believe it highly improbable that any significant proportion of this bulk commodity trade will be carried by American-flag bulk carriers. Further a portion of this bulk cargo is required and will be carried by both American-flag and foreign-flag liner vessels in parcel lots to provide nucleus and filler cargo.

TABLE 1.—*Indexes of changes in quantity, unit value, and value of United States exports and imports*

| Yearly average, year, and quarter | Quantity | Unit value | Value |
|---|---|---|---|
| Total exports of United States merchandise: | | | |
| 1936–38 | 100 | 100 | 100 |
| 1939–41 | 135 | 102 | 138 |
| 1942–44 | 269 | 148 | 399 |
| 1945 | 197 | 167 | 328 |
| 1946 | 206 | 158 | 325 |
| 1947 | 275 | 188 | 518 |
| 1948 | 214 | 200 | 428 |
| 1949 | 219 | 186 | 408 |
| 1950 | 193 | 180 | 347 |
| 1951 | 247 | 206 | 508 |
| 1950— | | | |
| 1st quarter | 181 | 177 | 320 |
| 2d quarter | 194 | 175 | 339 |
| 3d quarter | 184 | 180 | 330 |
| 4th quarter | 209 | 191 | 398 |
| 1951— | | | |
| 1st quarter | 223 | 202 | 449 |
| 2d quarter | 258 | 210 | 543 |
| 3d quarter | 243 | 206 | 500 |
| 4th quarter | 264 | 204 | 540 |
| Imports for consumption: | | | |
| 1936–38 | 100 | 100 | 100 |
| 1939–41 | 104 | 105 | 109 |
| 1942–44 | 97 | 141 | 136 |
| 1945 | 107 | 156 | 167 |
| 1946 | 113 | 173 | 196 |
| 1947 | 108 | 213 | 230 |
| 1948 | 123 | 235 | 288 |
| 1949 | 120 | 224 | 268 |
| 1950 | 146 | 243 | 355 |
| 1951 | 144 | 305 | 493 |
| 1950— | | | |
| 1st quarter | 137 | 223 | 304 |
| 2d quarter | 136 | 229 | 310 |
| 3d quarter | 154 | 248 | 381 |
| 4th quarter | 158 | 270 | 425 |
| 1951— | | | |
| 1st quarter | 163 | 295 | 481 |
| 2d quarter | 147 | 313 | 459 |
| 3d quarter | 131 | 312 | 411 |
| 4th quarter | 136 | 299 | 406 |

Source: U. S. Department of Commerce, Foreign Commerce Weekly, Apr. 28, 1952, p. 2.

TABLE 2.—*Merchandise trade by economic classes: Value and percentage distribution*

[Value in millions of dollars]

| Yearly average, year, and quarter | Total | | Crude materials | | Foodstuffs | | Semimanufactures | | Finished manufactures | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Value | Percent | Value | Percent | Value | Percent | Value | Percent | Value | Percent |
| Exports of United States merchandise: | | | | | | | | | | |
| 1936–38 | 2,925 | 100 | 669 | 22.9 | 306 | 10.5 | 519 | 17.7 | 1,431 | 48.9 |
| 1946 | 9,500 | 100 | 1,416 | 14.9 | 2,171 | 22.9 | 895 | 9.4 | 5,019 | 52.8 |
| 1947 | 15,160 | 100 | 1,601 | 10.6 | 3,106 | 20.5 | 1,783 | 11.8 | 8,670 | 57.2 |
| 1948 | 12,532 | 100 | 1,488 | 11.9 | 2,579 | 20.6 | 1,370 | 10.9 | 7,094 | 56.6 |
| 1949 | 11,936 | 100 | 1,780 | 14.9 | 2,227 | 18.7 | 1,356 | 11.4 | 6,573 | 55.1 |
| 1950 | 10,142 | 100 | 1,886 | 18.6 | 1,362 | 13.4 | 1,121 | 11.1 | 5,773 | 56.9 |
| 1951 | 14,868 | 100 | 2,471 | 16.6 | 2,242 | 15.1 | 1,663 | 11.2 | 8,492 | 57.1 |
| 1950— | | | | | | | | | | |
| 1st quarter | 2,338 | 100 | 430 | 18.4 | 327 | 14.0 | 256 | 10.9 | 1,324 | 56.6 |
| 2d quarter | 2,477 | 100 | 506 | 20.4 | 326 | 13.2 | 271 | 10.9 | 1,373 | 55.4 |
| 3d quarter | 2,416 | 100 | 425 | 17.6 | 327 | 13.5 | 272 | 11.3 | 1,392 | 57.6 |
| 4th quarter | 2,911 | 100 | 525 | 18.0 | 382 | 13.1 | 322 | 11.1 | 1,683 | 57.8 |
| 1951— | | | | | | | | | | |
| 1st quarter | 3,286 | 100 | 493 | 15.0 | 509 | 15.5 | 346 | 10.5 | 1,928 | 59.0 |
| 2d quarter | 3,973 | 100 | 581 | 14.6 | 665 | 16.7 | 431 | 10.8 | 2,296 | 57.8 |
| 3d quarter | 3,658 | 100 | 488 | 13.3 | 546 | 14.9 | 450 | 12.3 | 2,174 | 59.4 |
| 4th quarter | 3,950 | 100 | 909 | 23.0 | 521 | 13.2 | 436 | 11.0 | 2,084 | 52.8 |
| Imports for consumption: | | | | | | | | | | |
| 1936–38 | 2,461 | 100 | 760 | 30.9 | 720 | 29.3 | 503 | 20.4 | 478 | 19.4 |
| 1946 | 4,825 | 100 | 1,729 | 35.8 | 1,318 | 27.3 | 931 | 19.3 | 847 | 17.6 |
| 1947 | 5,666 | 100 | 1,766 | 31.2 | 1,672 | 29.5 | 1,245 | 22.0 | 983 | 17.3 |
| 1948 | 7,092 | 100 | 2,147 | 30.3 | 2,003 | 28.2 | 1,633 | 23.0 | 1,310 | 18.5 |
| 1949 | 6,592 | 100 | 1,854 | 28.1 | 2,074 | 31.5 | 1,418 | 21.5 | 1,246 | 18.9 |
| 1950 | 8,743 | 100 | 2,465 | 28.2 | 2,648 | 30.3 | 2,126 | 24.3 | 1,504 | 17.2 |
| 1951 | 10,813 | 100 | 3,364 | 31.1 | 3,084 | 28.5 | 2,455 | 22.7 | 1,909 | 17.7 |
| 1950— | | | | | | | | | | |
| 1st quarter | 1,873 | 100 | 536 | 28.6 | 608 | 32.5 | 417 | 22.3 | 312 | 16.7 |
| 2d quarter | 1,908 | 100 | 516 | 27.0 | 560 | 29.4 | 481 | 25.2 | 352 | 18.4 |
| 3d quarter | 2,346 | 100 | 632 | 26.9 | 792 | 33.8 | 545 | 23.2 | 378 | 16.1 |
| 4th quarter | 2,616 | 100 | 782 | 29.9 | 688 | 26.3 | 683 | 26.1 | 462 | 17.7 |
| 1951— | | | | | | | | | | |
| 1st quarter | 2,961 | 100 | 923 | 31.2 | 900 | 30.4 | 669 | 22.6 | 469 | 15.8 |
| 2d quarter | 2,826 | 100 | 935 | 33.1 | 752 | 26.6 | 654 | 23.1 | 485 | 17.2 |
| 3d quarter | 2,526 | 100 | 819 | 32.4 | 660 | 26.1 | 573 | 22.7 | 473 | 18.7 |
| 4th quarter | 2,500 | 100 | 687 | 27.5 | 772 | 30.9 | 559 | 22.4 | 482 | 19.3 |

Source: U. S. Department of Commerce, Foreign Commerce Weekly, Apr. 28, 1952, p. 2.

TABLE 3.—*Indexes of quantity and unit value of United States domestic merchandise exports, by economic class, 1936–38 quarterly average and 1947–52*

[1936–38=100]

| Period | Total domestic exports | Crude materials | Crude foodstuffs [1] | Manufactured foodstuffs [1] | Semimanufactures | Finished manufactures |
|---|---|---|---|---|---|---|
| | Quantity indexes | | | | | |
| Quarterly average: | | | | | | |
| 1936–38 | 100 | 100 | 100 | 100 | 100 | 100 |
| 1947 | 275 | 123 | 397 | 478 | 203 | 332 |
| 1948 | 214 | 100 | 362 | 350 | 144 | 257 |
| 1949 | 219 | 126 | 435 | 297 | 150 | 250 |
| 1950 | 193 | 128 | 287 | 237 | 127 | 225 |
| 1951 | 247 | 142 | 475 | 264 | 153 | 298 |
| 1950—1st quarter | 181 | 125 | 284 | 213 | 121 | 207 |
| 2d quarter | 194 | 143 | 270 | 250 | 126 | 220 |
| 3d quarter | 184 | 112 | 264 | 224 | 125 | 220 |
| 4th quarter | 209 | 128 | 335 | 230 | 135 | 251 |
| 1951—1st quarter | 223 | 112 | 456 | 242 | 131 | 278 |
| 2d quarter | 258 | 126 | 583 | 263 | 157 | 319 |
| 3d quarter | 243 | 117 | 434 | 265 | 165 | 304 |
| 4th quarter | 264 | 220 | 422 | 266 | 160 | 291 |
| 1952—1st quarter | 262 | 157 | 548 | 265 | 162 | 309 |
| 2d quarter | [2] 267 | [3] | [3] | [3] | [3] | [3] |
| | Unit value indexes | | | | | |
| Quarterly average: | | | | | | |
| 1936–38 | 100 | 100 | 100 | 100 | 100 | 100 |
| 1947 | 188 | 195 | 248 | 218 | 169 | 182 |
| 1948 | 200 | 223 | 255 | 223 | 184 | 193 |
| 1949 | 186 | 212 | 225 | 177 | 174 | 184 |
| 1950 | 180 | 220 | 193 | 151 | 170 | 179 |
| 1951 | 206 | 260 | 215 | 189 | 209 | 199 |
| 1950—1st quarter | 177 | 206 | 196 | 151 | 164 | 179 |
| 2d quarter | 175 | 212 | 190 | 142 | 166 | 175 |
| 3d quarter | 180 | 226 | 192 | 162 | 168 | 177 |
| 4th quarter | 191 | 245 | 196 | 169 | 184 | 187 |
| 1951—1st quarter | 202 | 263 | 203 | 188 | 203 | 195 |
| 2d quarter | 210 | 275 | 219 | 206 | 212 | 201 |
| 3d quarter | 206 | 249 | 221 | 194 | 211 | 200 |
| 4th quarter | 204 | 246 | 219 | 183 | 211 | 200 |
| 1952—1st quarter | 207 | 255 | 230 | 178 | 208 | 201 |
| 2d quarter | [2] 208 | [3] | [3] | [3] | [3] | [3] |

[1] Export indexes of crude and manufactured foodstuffs in some periods, particularly those of unit value during 1950, are influenced by sales of large quantities of food products at prices considerably below market quotations. Such exports include sales from Government-owned surplus and shipments on which subsidies were paid by the Department of Agriculture.

[2] Estimates based on incomplete data; by Council of Economic Advisers.

[3] Not available.

Source: President's Council of Economic Advisors, Midyear 1952 Economic Review, table B–42.

TABLE 4.—*Balance of merchandise trade: United States and ERP countries*

| | United States exports of merchandise, adjusted | United States imports of merchandise, adjusted | ERP countries deficit |
|---|---|---|---|
| 1946 | 4,252 | 767 | −3,485 |
| 1947 | 5,728 | 843 | −4,885 |
| 1948 | 4,710 | 1,192 | −3,518 |
| 1949 | 4,311 | 1,022 | −3,289 |
| 1950 | 3,439 | 1,301 | −2,138 |
| 1951 | 5,045 | 2,031 | −3,014 |
| Total[1] | 27,485 | 7,156 | −20,329 |

[1] Excludes OEEC dependencies.

Source: U. S. Department of Commerce, Office of Business Economics.

TABLE 5.—*Balance of payments: United States and ERP countries*

| | United States exports of goods and services | United States imports of goods and services | Balance |
|---|---|---|---|
| 1946 | 5,473 | 1,312 | +4,161 |
| 1947 | 7,217 | 1,789 | +5,428 |
| 1948 | 5,917 | 2,268 | +3,649 |
| 1949 | 5,399 | 2,263 | +3,316 |
| 1950 | 4,426 | 2,692 | +1,734 |
| 1951 | 6,523 | 3,519 | +3,004 |
| Total[1] | 34,955 | 13,843 | +21,112 |

[1] Excludes OEEC dependencies.

Source: U. S. Department of Commerce, Office of Business Economics.

TABLE 6.—*United Kingdom exports—Coal and coke*

[Value in £ million (f. o. b.). Selected years 1934 through 1949–50 [1]]

| | Annual average 1934–38 | Years | | | | Quarters, 1949 | | | | Quarters, 1950 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1947 | 1948 | 1949 | 1949–50 | First | Second | Third | Fourth | First | Second |
| Ireland | 2.1 | 1.9 | 6.2 | 6.2 | 6.4 | 1.3 | 1.5 | 1.7 | 1.7 | 1.5 | 1.5 |
| Rest of sterling area | 1.3 | 1.2 | 3.1 | 3.3 | 3.1 | 1.0 | .7 | .9 | .7 | .8 | .7 |
| Total sterling area | 3.4 | 3.1 | 9.3 | 9.5 | 9.5 | 2.3 | 2.2 | 2.6 | 2.4 | 2.3 | 2.2 |
| United States | .3 | .1 | (2) | (2) | (2) | (2) | (2) | (2) | (2) | (2) | (2) |
| Canada | 1.9 | 1.0 | .6 | 1.2 | 1.6 | .1 | .3 | .5 | .3 | .1 | .7 |
| Denmark | 3.6 | (2) | 3.7 | 9.8 | 11.1 | 2.1 | 2.3 | 2.2 | 3.2 | 3.7 | 2.0 |
| France and dependencies | 8.3 | 1.3 | 2.7 | 5.9 | 6.1 | 1.5 | 1.5 | 1.3 | 1.6 | 1.6 | 1.6 |
| Italy | 2.3 | 0 | 3.2 | 4.5 | 6.9 | 1.2 | .8 | .8 | 1.7 | 2.6 | 1.8 |
| Sweden | 2.3 | 0 | 5.2 | 6.0 | 6.8 | 1.7 | .7 | 1.3 | 2.3 | 1.8 | 1.4 |
| Other OEEC countries and dependencies | 7.2 | .5 | 6.7 | 9.8 | 11.4 | 2.3 | 2.3 | 2.3 | 2.9 | 3.5 | 2.7 |
| Argentina | 2.1 | .4 | 3.8 | 4.0 | 5.1 | .5 | .5 | 1.4 | 1.6 | 1.4 | .7 |
| Spain and dependencies | 1.3 | .4 | 2.9 | 4.0 | 4.5 | .7 | .9 | 1.2 | 1.3 | 1.2 | .9 |
| All other countries | 4.3 | .6 | 5.6 | 5.0 | 5.3 | .8 | 1.0 | 1.5 | 1.7 | 1.1 | 1.0 |
| Total | 36.8 | 7.4 | 43.6 | 59.7 | 68.3 | 13.2 | 12.6 | 15.0 | 18.9 | 19.4 | 15.0 |
| Coal | 33.6 | 6.4 | 38.9 | 50.8 | 58.8 | 10.8 | 10.6 | 13.0 | 16.3 | 15.9 | 13.6 |
| Coke | 3.2 | 1.0 | 4.7 | 8.9 | 9.5 | 2.3 | 2.0 | 2.0 | 2.6 | 3.5 | 1.4 |
| Total volume, thousand long tons | 40,689.0 | 4,034.0 | 11,567.0 | 15,956.0 | 18,324.0 | 3,455.0 | 3,382.0 | 4,036.0 | 5,083.0 | 5,108.0 | 4,097.0 |
| Quantity index [3] | 100.0 | 10.0 | 28.0 | 39.0 | 45.0 | 34.0 | 33.0 | 40.0 | 50.0 | 50.0 | 40.0 |
| Retained imports | .1 | (2) | .5 | .3 | .4 | .1 | .1 | .1 | .1 | .1 | .1 |
| Net exports | 36.7 | 7.4 | 43.1 | 59.4 | 67.9 | 13.1 | 12.5 | 14.9 | 18.8 | 19.3 | 14.9 |

[1] 1949–50=July 1949 through June 1950.
[2] Negligible.
[3] Annual rate.

Sources: Annual statements of the trade of the United Kingdom; Accounts relating to the trade and navigation of the United Kingdom.

TABLE 7.—*United States exports—Coal and coke*

[Value in $ million (f. a. s.). Selected years 1934 through 1949–50 [1]]

| | Annual average 1934–38 | Years | | | | Quarters, 1949 | | | | Quarters, 1950 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1943 | 1948 | 1949 | 1949–50 | First | Second | Third | Fourth | First | Second |
| United Kingdom | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Rest of sterling area | .6 | 1.0 | 1.4 | .8 | .2 | .3 | .3 | .1 | 0 | 0 | .1 |
| Total sterling area | .6 | 1.0 | 1.4 | .8 | .2 | .3 | .3 | .1 | 0 | 0 | .1 |
| Canada | 51.7 | 161.9 | 283.1 | 190.2 | 190.1 | 25.4 | 74.4 | 50.6 | 39.8 | 23.9 | 75.8 |
| France and dependencies | .2 | .1 | 101.5 | 45.4 | 8.1 | 21.1 | 16.9 | 6.1 | 1.2 | .6 | .2 |
| Italy | (2) | 0 | 45.7 | 35.2 | 1.6 | 10.8 | 23.2 | 1.2 | .1 | .3 | 0 |
| Netherlands | 0 | 0 | 6.5 | 3.5 | 0.9 | 1.1 | 1.5 | .6 | .3 | 0 | 0 |
| Sweden | 0 | 0 | 6.0 | 4.0 | 3.5 | .6 | .9 | 2.0 | .5 | .5 | .5 |
| Switzerland | .1 | 0 | 4.2 | 1.8 | 1.0 | .7 | .7 | .2 | .2 | 0 | .6 |
| Other OEEC countries | .1 | 1.9 | 13.8 | 2.2 | .8 | 1.4 | .3 | .2 | .3 | .1 | .2 |
| Argentina | .1 | .9 | 8.2 | .3 | .2 | .2 | 0 | .2 | 0 | 0 | 0 |
| Brazil | .9 | 2.1 | 9.5 | 6.8 | 6.9 | 1.8 | 2.0 | 1.7 | 1.3 | 1.2 | 2.7 |
| Japan | (2) | 0 | 7.5 | 13.6 | 2.1 | 5.1 | 6.4 | 1.8 | .3 | 0 | 0 |
| All other countries | 2.2 | 3.7 | 4.9 | 4.1 | 2.6 | 1.2 | 1.2 | .9 | .7 | .3 | .7 |
| Total | 55.9 | 171.7 | 492.3 | 307.9 | 217.9 | 69.8 | 128.0 | 65.6 | 44.6 | 26.9 | 80.8 |
| Coal | 36.1 | 164.4 | 481.7 | 299.6 | 211.2 | 67.8 | 125.4 | 63.6 | 42.8 | 25.7 | 79.1 |
| Coke | 19.8 | 7.3 | 10.6 | 8.3 | 6.7 | 1.9 | 2.6 | 2.0 | 1.8 | .2 | 1.7 |
| Total quantity, thousand short tons | 11,521.0 | 27,807.0 | 53,515.0 | 33,500.0 | 22,801.0 | 7,218.0 | 14,763.0 | 7,308.0 | 4,211.0 | 2,377.0 | 8,905.0 |
| Quantity index [3] | 100.0 | 241.0 | 464.0 | 291.0 | 198.0 | 251.0 | 513.0 | 254.0 | 146.0 | 82.0 | 309.0 |
| Imports for consumption | 4.5 | 5.7 | 4.2 | 6.5 | 7.0 | 2.0 | 1.6 | .8 | 2.1 | 2.5 | 1.6 |
| Net exports | 51.4 | 166.0 | 488.1 | 301.4 | 210.9 | 67.8 | 126.4 | 64.8 | 42.5 | 24.4 | 79.2 |

[1] 1949–50=July 1949 through June 1950.
[2] Negligible.
[3] Annual rate.

Sources: Foreign commerce and navigation of the United States; United States exports of domestic merchandise, reports No. FT 410, 420.

[Thousand metric tons—Milliers de tonnes metriques]

TABLE 13.—Wheat and wheat flour (wheat equivalent): Reported destination of exports from specified countries

Tableau 13.—Froment et farine de froment (en équivalent de froment): Destinations déclarées des exportations de certains pays

| Country<br>Pays | 1934-38 average | 1949 I-XII | 1950 I-XII | 1951 I-XII | 1950 | | | | 1951 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | I-III | IV-VI | VII-IX | X-XII | I-III | IV-VI | VII-IX | X-XII |
| EXPORTING COUNTRIES | | | | | | | | | | | | |
| Argentina [1] | 3,349 | 1,837 | 2,750 | 2,450 | 916 | 718 | 722 | 394 | 796 | 900 | 506 | 248 |
| Australia [2] | [3] 2,919 | 3,255 | 3,273 | 3,517 | 729 | 887 | 817 | 840 | 928 | 966 | 993 | 630 |
| Canada [4] | 4,793 | 6,917 | 5,641 | 7,871 | 1,124 | 1,701 | 1,348 | 1,468 | 1,320 | 1,985 | 2,087 | 2,479 |
| United States [5] | 1,036 | 11,037 | 6,513 | 12,863 | 1,804 | 1,686 | 1,412 | 1,611 | 2,903 | 4,057 | 3,039 | 2,864 |
| Total [6] | 12,097 | 23,046 | 18,177 | 26,701 | 4,573 | 4,992 | 4,299 | 4,313 | 5,947 | 7,908 | 6,625 | 6,221 |
| IMPORTING COUNTRIES | | | | | | | | | | | | |
| Europe: | | | | | | | | | | | | |
| Austria | 16 | 497 | 364 | 313 | 170 | 122 | 12 | 60 | 85 | 167 | | 61 |
| Belgium | 855 | 628 | 658 | 1,035 | 86 | 166 | 217 | 189 | 327 | 286 | 215 | 207 |
| Czechoslovakia | | | | | | | | | | | | |
| Denmark | 78 | 3 | 37 | 63 | | 25 | 12 | | 19 | 37 | 2 | 15 |
| Finland | 23 | | 18 | 38 | 10 | 8 | | | | | | 38 |
| France | 165 | 221 | | 201 | | | | | 12 | 40 | 96 | 53 |
| Germany (Federal Republic) | 161 | 3,065 | 1,246 | 2,603 | 434 | 95 | 305 | 352 | 537 | 757 | 623 | 686 |
| Greece | 246 | 543 | 421 | 618 | 130 | 172 | 80 | 39 | 175 | 256 | 40 | 147 |
| Iceland | | 11 | 10 | 4 | 2 | 2 | 3 | 3 | | | 1 | 3 |
| Ireland | 276 | 153 | 227 | 317 | 45 | 66 | 47 | 69 | 86 | 61 | 83 | 87 |
| Italy | 339 | 1,720 | 886 | 1,643 | 267 | 240 | 258 | 121 | 384 | 618 | 460 | 181 |
| Malta | 28 | 52 | 61 | 74 | 16 | 9 | 35 | 1 | 18 | 16 | 19 | 21 |
| Netherlands | 585 | 424 | 667 | 942 | 193 | 220 | 135 | 119 | 110 | 350 | 254 | 228 |

[1] Postwar data refer to shipments by sea according to commercial sources.

[2] Since January 1949 figures shown are from the *Monthly Bulletin of Overseas Trade Statistics* for Australia. Figures for previous years were furnished by Australian Wheat Board.

[3] 1934/35–1938/39 average.

[4] 1950 and 1951, overseas clearances according to the Board of Grain Commissioners for Canada.

[5] Figures for the United States include shipments under the Army's civilian supply program and exclude those to territories and possessions.

[6] Represents the following percentages of total exports: 1934–38, 70 percent; 1948, 96 percent; 1949, 89 percent; 1950, 88 percent.

[1] Les données pour l'après-guerre se réfèrent aux expeditions par mer selon des sources commerciales.

[2] Depuis janvier 1949, les chiffres indiqués proviennent de la publication australienne *Monthly Bulletin of Overseas Trade Statistics*. Pour les années antérieures les chiffres ont été fournis par l'Australian Wheat Board.

[3] Moyenne 1934/35–1938/39.

[4] 1950 et 1951, déclarations en douane d'après le "Board of Grain Commissioners" du Canada.

[5] Y compris les expéditions faites par l'Armée dans le cadre du programme de ravitaillement des populations civiles sous contrôle militaire, mais non compris les expéditions vers les possessions et territoires américains.

[6] Correspond aux pourcentages suivants par rapport aux exportations totales: 1934–38, 70 pourcent; 1948, 96 pourcent; 1949, 89 pourcent; 1950, 88 pourcent.

Source: Monthly Bulletin of Food and Agricultural Statistics, FAO, April 1952.

TABLE 8.—*Trade—Commerce—Comercio.*—Continued

TABLE 13.—Wheat and wheat flour (wheat equivalent): Reported destination of exports from specified countries

Tableau 13.—Froment et farine de froment (en équivalent de froment): Destinations déclarées des exportations de certains pays

| Country<br>Pays | 1934–38 average | 1949 I–XII | 1950 I–XII | 1951 I–XII | 1950 | | | | 1951 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | I–III | IV–VI | VII–IX | X–XII | I–III | IV–VI | VII–IX | X–XII |
| IMPORTING COUNTRIES—continued | | | | | | | | | | | | |
| Europe—Continued | | | | | | | | | | | | |
| Norway | 132 | 168 | 209 | 301 | 75 | 62 | 32 | 40 | 78 | 90 | 66 | 67 |
| Poland | | | 9 | | 9 | | | | | | | |
| Portugal | 24 | 292 | 209 | 152 | 49 | 82 | 52 | 26 | 24 | 48 | 45 | 35 |
| Spain | 14 | 359 | 198 | 164 | 73 | 98 | 7 | 20 | 58 | 92 | 6 | 8 |
| Sweden | 15 | | 76 | 195 | 44 | 32 | | | 39 | 51 | 16 | 89 |
| Switzerland | 7 | 420 | 337 | 385 | 4 | 92 | 116 | 125 | 101 | 64 | 131 | 89 |
| Trieste | | 33 | 39 | 55 | 12 | 13 | 6 | 8 | 12 | 18 | 25 | |
| United Kingdom | 5,655 | 5,515 | 3,780 | 4,820 | 848 | 1,198 | 791 | 943 | 1,090 | 1,506 | 1,279 | 945 |
| Yugoslavia | | 3 | 2 | 107 | | | 2 | | 45 | 32 | | 30 |
| Others | | 19 | 42 | 20 | 6 | 13 | 13 | 10 | 6 | 5 | | 9 |
| Total | 8,620 | 14,146 | 9,496 | 14,050 | 2,473 | 2,715 | 2,183 | 2,125 | 3,206 | 4,484 | 3,361 | 2,999 |
| North and Central America: | | | | | | | | | | | | |
| British West Indies | 104 | 167 | 194 | 191 | 49 | 47 | 53 | 45 | 47 | 45 | 54 | 45 |
| Cuba | 129 | 207 | 198 | 214 | 43 | 40 | 65 | 50 | 51 | 45 | 59 | 59 |
| Mexico | 23 | 258 | 444 | 390 | 99 | 99 | 135 | 111 | 104 | 86 | 90 | 110 |
| Others | 391 | 432 | 337 | 1,084 | 63 | 78 | 87 | 109 | 171 | 290 | 252 | 371 |
| Total | 647 | 1,064 | 1,173 | 1,879 | 254 | 264 | 340 | 315 | 373 | 466 | 455 | 585 |
| South America: | | | | | | | | | | | | |
| Bolivia | 34 | 41 | 72 | 57 | 13 | 13 | 9 | 37 | 17 | 13 | 15 | 12 |
| Brazil | 962 | 833 | 1,148 | 1,305 | 281 | 149 | 430 | 288 | 242 | 320 | 383 | 360 |
| Chile | 13 | 5 | 123 | 241 | 2 | 21 | 59 | 41 | 2 | 79 | 103 | 57 |
| Colombia | 8 | 17 | 80 | 58 | 8 | 21 | 32 | 19 | 10 | 29 | 10 | 9 |
| Paraguay | 31 | 37 | 33 | 53 | 7 | 10 | 9 | 7 | 12 | 13 | 16 | 12 |
| Peru | 115 | 232 | 244 | 204 | 16 | 60 | 89 | 79 | 45 | 22 | 78 | 59 |
| Venezuela | 33 | 124 | 155 | 177 | 42 | 36 | 43 | 34 | 39 | 47 | 57 | 34 |
| Others | 34 | 72 | 77 | 90 | 20 | 15 | 22 | 20 | 25 | 24 | 14 | 27 |
| Total | 1,230 | 1,361 | 1,932 | 2,185 | 389 | 325 | 693 | 525 | 392 | 547 | 676 | 570 |
| Asia: | | | | | | | | | | | | |
| Burma | 2 | | 4 | 4 | | | 3 | 1 | 1 | 1 | 1 | 1 |
| Ceylon | 26 | 243 | 226 | 310 | 45 | 76 | 40 | 65 | 84 | 65 | 75 | 86 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| China | 430 | 40 | 18 | | 3 | 3 | 8 | 4 | | | | |
| Hong Kong | 95 | 113 | 125 | 59 | 27 | 68 | 7 | 23 | 7 | 27 | 17 | 8 |
| India | | 1,695 | 1,598 | 3,322 | 426 | 423 | 323 | 421 | 644 | 779 | 852 | 1,047 |
| Pakistan | 46 | | | | | | | | | | | |
| Indochina | 6 | 5 | | | | | | | | | | |
| Indonesia | 110 | 88 | 74 | 189 | 10 | 23 | 23 | 18 | 54 | 62 | 40 | 33 |
| Iraq and Iran | | 192 | 25 | 16 | 10 | 7 | 6 | 2 | 4 | 8 | 4 | |
| Japan | 305 | 2,120 | 1,403 | 1,649 | 478 | 449 | 168 | 308 | 438 | 664 | 256 | 291 |
| Korea | | 45 | | 34 | | | | | | 21 | 13 | |
| Maylaya, Federation of | 82 | 113 | 171 | 232 | 49 | 54 | 30 | 38 | 84 | 72 | 36 | 40 |
| Philippines | 125 | 258 | 227 | 246 | 52 | 50 | 65 | 60 | 73 | 71 | 29 | 73 |
| Syria-Lebanon | | 44 | 9 | 218 | | 3 | 2 | 4 | 42 | 25 | 42 | 109 |
| Others | 30 | 392 | 287 | 430 | 93 | 43 | 82 | 69 | 81 | 145 | 111 | 93 |
| *Total* | 1,257 | 5,348 | 4,162 | 6,709 | 1,193 | 1,199 | 757 | 1,013 | 1,512 | 1,940 | 1,476 | 1,781 |
| Africa: | | | | | | | | | | | | |
| Egypt | 64 | 362 | 499 | 874 | 92 | 140 | 131 | 136 | 271 | 218 | 287 | 98 |
| French Africa | 30 | 26 | 16 | 219 | 4 | 3 | 6 | 3 | 39 | 27 | 84 | 69 |
| Mauritius | | 48 | 20 | 34 | | 8 | 6 | 6 | 6 | 11 | 6 | 11 |
| Portugese Africa | 22 | 20 | 32 | 28 | 7 | 5 | 14 | 6 | 1 | 8 | 6 | 13 |
| Southern Rhodesia | | 27 | 23 | 50 | | 10 | 13 | | 111 | 3 | 36 | |
| Union of South Africa | 28 | 204 | 267 | 154 | 41 | 161 | 54 | 11 | 42 | 69 | 41 | 2 |
| Others | 68 | 60 | 132 | 123 | 18 | 22 | 31 | 61 | 23 | 41 | 47 | 12 |
| *Total* | 212 | 747 | 989 | 1,482 | 162 | 349 | 255 | 223 | 393 | 377 | 507 | 205 |
| Oceania: | | | | | | | | | | | | |
| New Zealand | 53 | 185 | 145 | 186 | 37 | 33 | 21 | 54 | 30 | 28 | 58 | 70 |
| Others | 20 | 14 | 18 | 20 | 9 | 6 | 3 | 5 | 3 | 3 | 3 | 11 |
| *Total* | 73 | 199 | 163 | 206 | 41 | 39 | 24 | 59 | 33 | 31 | 61 | 81 |
| Other Areas: | | | | | | | | | | | | |
| Near East | | | | | | | | | | | | |
| Other Pacific | | | | | | | | | | | | |
| Unspecified | 58 | 181 | 262 | 190 | 61 | 101 | 47 | 53 | 38 | 63 | 89 | |
| *Total* | 58 | 181 | 262 | 190 | 61 | 101 | 47 | 53 | 38 | 63 | 89 | |
| Total | 12,097 | 23,046 | 18,177 | 26,701 | 4,573 | 4,992 | 4,299 | 4,313 | 5,947 | 7,908 | 6,625 | 8,221 |

TABLE 9.—*Production of wheat, rye, 3 coarse grains and 8 major foodstuffs in Europe,*[1] *1934–38, 1946 through 1951*

| | Wheat | Rye | Bread grain total | Total, 3 [2] coarse grains | Total, 8 crops [3] wheat equivalent | Production, 8 crops per capita |
|---|---|---|---|---|---|---|
| | *Million metric tons* | *Million metric tons* | *Million metric tons* | *Million metric tons* | *Million metric tons* | *Kilograms* |
| 1934–38 | 42.3 | 19.1 | 61.4 | 54.8 | 137.8 | 374 |
| 1946 | 33.3 | 12.5 | 45.8 | 37.9 | 99.2 | 261 |
| 1947 | 23.4 | 11.9 | 35.3 | 42.6 | 96.1 | 251 |
| 1948 | 36.8 | 16.5 | 53.3 | 48.6 | 126.1 | 326 |
| 1949 | 40.6 | 18.4 | 59.0 | 50.1 | 128.3 | 328 |
| 1950 | 41.4 | 17.6 | 59.0 | 46.7 | 132.9 | 337 |
| 1951 | 42.0 | 17.2 | 59.2 | 53.1 | 135.1 | 339 |
| | 1934–38=100 | | | | | |
| 1934–38 | 100 | 100 | 100 | 100 | 100 | 100 |
| 1946 | 78.7 | 65.4 | 74.6 | 69.2 | 72.0 | 69.8 |
| 1947 | 55.3 | 62.3 | 57.5 | 77.7 | 69.7 | 67.1 |
| 1948 | 87.0 | 86.4 | 86.8 | 88.7 | 91.5 | 87.2 |
| 1949 | 96.0 | 96.3 | 96.1 | 91.4 | 93.1 | 87.7 |
| 1950 | 97.9 | 92.1 | 96.1 | 85.2 | 96.4 | 90.1 |
| 1951 | 99.3 | 90.1 | 96.4 | 96.9 | 98.0 | 90.6 |

[1] Excludes U. S. S. R.
[2] Includes corn, oats, barley.
[3] Includes wheat, rye, corn, barley, oats, potatoes, sugar (beet) and rice.

Source: Montly Bulletin, FAO, April 1952, table I.

TABLE 10.—*United States exports—coarse grains and preparations*

[Value in millions of dollars (f. a. s.). Selected years, 1934 through 1949–50 [1]]

| | Annual average, 1934–38 | Years | | | | Quarters, 1949 | | | | Quarters, 1950 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1943 | 1948 | 1949 | 1949–50 | 1st | 2d | 3d | 4th | 1st | 2d |
| United Kingdom | $8.3 | $1.6 | (2) | $0.7 | $11.6 | $0.2 | 0 | 0 | 0.6 | $9.9 | $1.2 |
| Ireland | 1.7 | 0 | $0.6 | 19.1 | 17.3 | 3.9 | $6.4 | $4.5 | $4.3 | 4.9 | 3.6 |
| India and Pakistan | (2) | .1 | 20.3 | 16.6 | 2.9 | 4.2 | 11.3 | 1.0 | 0 | (2) | 1.8 |
| Rest of sterling area | .4 | .8 | 2.2 | 1.1 | .6 | .2 | .5 | .2 | .2 | .1 | .1 |
| Total sterling area | 10.4 | 2.5 | 23.1 | 37.5 | 32.4 | 8.5 | 18.2 | 5.7 | 5.1 | 14.9 | 6.7 |
| Canada | 10.3 | 3.8 | 19.8 | 26.7 | 31.9 | .6 | 4.3 | 8.5 | 13.2 | .6 | 9.5 |
| Mexico | .5 | 2.6 | 3.3 | 1.9 | 1.7 | .7 | .4 | .3 | .4 | .5 | .4 |
| Venezuela | .2 | .7 | 2.7 | 3.5 | 4.2 | .9 | .8 | .7 | 1.1 | 1.0 | 1.4 |
| Belgium and dependencies | 1.1 | .2 | 1.8 | 8.4 | 8.6 | 1.0 | .8 | 4.1 | 2.6 | .9 | 1.0 |
| France and dependencies | .1 | 1.1 | 10.4 | 15.8 | 12.4 | 10.9 | 1.7 | .5 | 2.7 | 9.1 | (2) |
| Germany | 2.0 | 0 | 48.1 | 127.8 | 74.6 | 37.7 | 28.5 | 34.8 | 26.8 | 9.7 | 3.2 |
| Netherlands and dependencies | 3.3 | .3 | 5.7 | 14.8 | 19.3 | 1.9 | .9 | 6.6 | 5.3 | 2.7 | 4.7 |
| Other OEEC countries and dependencies | .8 | .3 | 13.9 | 44.8 | 37.6 | 17.4 | 3.4 | 5.8 | 18.2 | 7.3 | 6.2 |
| All other countries | 1.0 | 3.9 | 42.8 | 57.9 | 37.4 | 20.3 | 9.5 | 17.0 | 11.1 | 4.3 | 5.1 |
| Total | 29.7 | 15.3 | 171.8 | 339.3 | 260.0 | 99.9 | 68.7 | 84.1 | 86.6 | 51.0 | 38.3 |
| Total quantity, millions of pounds | 2,388 | 473 | 4,088 | 11,923 | 9,330 | 3,224 | 2,498 | 3,097 | 3,104 | 1,825 | 1,304 |
| Quantity index [3] | 100 | 20 | 171 | 499 | 391 | 540 | 420 | 520 | 520 | 306 | 218 |
| Imports for consumption | $32.0 | $75.3 | $24.4 | $38.2 | $45.0 | $9.6 | $6.0 | $6.5 | $16.1 | $11.7 | $10.8 |
| Net exports | −$2.3 | −60.0 | $147.4 | $301.1 | $215.0 | $90.3 | $62.7 | $77.6 | $70.5 | $39.3 | $27.5 |

[1] 1949–50=July 1949 through June 1950.
[2] Negligible.
[3] Annual rate.

Sources: Foreign Commerce and Navigation of the United States; United States Exports of Domestic Merchandise, Reports No. FT 410, 420.

Mr. TURMAN. As more fully explained in this survey, the postwar trade of the United States has been characterized by (1) a vast increase in the dollar volume of total exports; (2) a very considerable increase in the dollar volume of total imports; (3) especially sharp upswings in exports as a result of the European economic crisis of 1947 and the subsequent Korean crisis; (4) a shift of some consequence in the composition of our exports as between crude materials, foodstuffs, semimanufactures, and finished manufactures; (5) a shift of some significance in the destinations to which our goods were shipped; and (6) a persistent dollar imbalance which was corrected only by huge grants of financial assistance by the United States.

Senator MAGNUSON. By "dollar volume" you mean value of cargoes?

Mr. TURMAN. Values——

Senator MAGNUSON. What has that to do with it?

Mr. TURMAN. Many times our statistics that we read, if you compared them year by year, you would see a tremendous increase in cargo by virtue of the difference as quoted in dollars, the dollar value. If you analyze it, there has not been that portion of increase by any means in volume.

Senator MAGNUSON. In tonnage?

Mr. TURMAN. That is right. A lot of these statistics are very, very misleading. The ratio between your increases in dollar values and volume varies greatly. That is the point. It doesn't follow a pattern.

Senator MAGNUSON. A cargo of gold weighs as much as a cargo of coal, and the rate in volume is the same?

Mr. TURMAN. Or better said another way, "Wheat is $1 a bushel and $2 a bushel." That is the thing we are getting into when we look at statistics.

Senator MAGNUSON. I think we better stick to the tonnage.

Mr. TURMAN. I think so. But there, again, we are going to ask you to break it down into your bulk and other manufactures.

The principal characteristic of post-World War II foreign trade is its severe dislocation from its historical and normal pattern developed during the prewar period. Because of ample coal and iron supplies, a relatively well-educated and intelligent population, and a reasonable aptitude for orderly government, Western Europe became the "workshop of the world" and imported from the rest of the world large quantities of raw materials to be made up into finished manufactures for home consumption or reexport to raw-material-producing areas. Further, Western Europe gradually became dependent upon the vast plains of Australia, Canada, Argentina, and to a lesser degree those of the United States, for bread grains, coarse grains, and other agricultural products. In return for all this, Western Europe offered manufactures, shipping, general banking insurance, and other similar services.

That is your prewar problem and pre-World War I problem, I may say. This was a problem which existed before World War I and has been accentuated from then on.

The major causes of trouble in the post-World War II period have been that Western Europe, devastated and tired and disillusioned by the war, was unable to produce enough goods for minimum domestic

requirements, to say nothing of enough for export; and that large sections of the raw-material-producing areas of the world were unable to supply Europe because of their own distress or temporary shortages which are now being corrected.

The United States stepped into this breach, making huge grants of aid in the form of credits and outright gifts. The United States exported not only large quantities of agricultural and industrial machinery, but also became a major raw-material supplier. "Carrying coals to Newcastle" became a fact in the postwar era, so hard hit was the Western European economy. Also, the United States shipped large quantities of wheat and coarse grains to many nations traditionally supplied by others.

The dollar gap: Only the financial aid of the United States has allowed foreign nations to purchase the aforementioned abnormal quantities of goods from the United States. There is currently a concerted effort on the part of these foreign nations to overcome the dollar imbalance by their own resourcefulness.

As a part of this campaign, these countries are attempting to reopen their traditional sources of raw materials, bread and coarse grains, as well as redevelop their old markets.

Right here, Mr. Chairman, I would like to point out we have Great Britain, which grows very little of her own needs in the way of foodstuffs. Her demand increased through the war by necessity and acute dislocation. She depended, to a large degree, in peacetime, on Australia and the Argentine, with whom she had a great exchange of trade. It is only natural that, because of these war conditions, the need for immediate rehabilitation, and that we had over in this country a great supply of services, that we gave it to them. She got it for nothing. You had counterpart funds.

She took those funds and built up her machinery, plant and industry, because that was the normal thing to do. But as she had completed that job, and we cut off the grants, she does not have dollars, she cannot export enough to us to fix that balance in trade, so it is only normal with her soft currency that she goes back to her former source of supply.

Those are the forces that are, every day, coming into being. Let's talk about cotton. Bremen in Germany is the big cotton center in Europe. Three years ago you didn't see a mite of cotton from Egypt, Turkey, Greece, or India. Now you just see every type ship coming in and bringing cotton from these areas, as our carryings decrease.

Senator POTTER. The only way that could be corrected, I would point out, is by a continuation of sending dollars over there, or to do it by trade. That would be the soundest approach.

Mr. TURMAN. That is right. All of these forces have their effect on this picture. That is what I am trying to bring out.

In this connection, it is worthwhile to consider the comprehensive study prepared by the special mission to the United Kingdom of the ECA entitled "The Sterling Area-An American Analysis," which can be secured from the Superintendent of Documents, United States Government Printing Office, Washington, D. C. While this study is limited, in general, to a consideration of countries comprising the sterling bloc, certain of the conclusions may apply with equal force to other international currency blocs.

The conclusions to be drawn from the ECA study of the sterling area are as follows:

1. The sterling block, while an informal and loose arrangement among the various countries having political and economic relations with the United States, is a formidable continuing force;

2. Representatives of the sterling bloc have a reluctance to become too greatly dependent upon dollar trade, fearing as they do the accentuated repercussions of any depression in the United States;

3. In many important respects the complementary economics of the United Kingdom and the overeas sterling area will provide a high degree of self-sufficiency;

4. In the prewar period, a substantial proportion of the required imports of the sterling area was obtained from the Argentine and the Danubian area, with whom the sterling bloc had a complementary balance of trade;

5. In many important respects the imports and exports of both Great Britain and the United States are identical; in other words, they are manufacturing nations. We find it necessary to important manganese and other ores, as does Britain.

6. The sterling bloc is redoubling efforts to develop new sources and increase the production of raw materials within the sterling area. The recent meeting of the Council of Foreign Ministers held in London has committed the sterling bloc to this program. This is only one means of closing the dollar gap with the United States.

7. As a corollary, efforts are being made to reduce other imports from the dollar or other hard-currency areas. Principal curtailments are on imports of grain and grain products, tobacco, and cotton. The improving Argentine grain situation and the recently concluded barter arrangements with the U. S. S. R., both indicate short-term continuance of the reliance by the United Kingdom upon the United States as a principal source of supply of these bulk commodities.

I might mention, here, that Great Britain has ample coal sources. Their great trouble has been in antiquated methods, mining machinery, and labor trouble, and the amount of work that labor does.

Eventually, if she gets up and going, with this vast supply, and she certainly has the intelligence and the technological training, I can't foresee how our coal would be shipped all the way over to Europe and Italy, when Poland, for example, can start getting back into it if you settle some of these questions, can supply Italy and Great Britain, and can get back into her normal way of doing things in export.

It seems inevitable that somewhere down the line, unless she collapses altogether, she is bound to do it.

Mr. DREWRY. That is strictly an abnormal operation, the transportation of coal to Europe?

Mr. TURMAN. In my mind, it is. There has never been any historical pattern before for it, except this coal strike, which I mentioned, back in the twenties.

These actions by the sterling area are being followed in large part by other important parts of the world. During 1952, this manifested itself in a sharp curtailment of the export trade of the United States. Bulk and nonbulk cargo: Accordingly, in the near future, as traditional sources of supply reopen, there will be a further reduction in the movement of bulk commodities from the United States.

European industrial nations have restored a large part of their productive facilities and are expanding them so that United States manufacturers have suffered losses in their new postwar European markets and will have to increase their efforts to hold their non-European markets. Thus, we believe that export of non-bulk-type commodities will not exceed present levels.

Senator POTTER. That is, our manufacturing goods find competition pretty keen in Europe today?

Mr. TURMAN. Yes. To give a good example, here is Great Britain, that requires a great deal of beef, meat, mutton. In the prewar days she would make a deal with Australia and New Zealand, and what they couldn't supply, she would get from the Argentine, and in return, Great Britain sent the Argentine machinery, and this and that.

Until recently, when she had rehabilitated her plant and had gotten on an export basis, and had gotten started, the United States had gone down there and taken a lot of that trade. It seems reasonable to assume, and negotiations were in progress, but they broke down on this exchange of Argentine beef and mutton for British goods, that somewhere in there these things will unquestionably come into being, particularly if dollars continue to be at a premium; in other words, where Britain can trade with sterling by an even exchange, they are all right.

Senator POTTER. We have very little trade with Argentina; isn't that true?

Mr. TURMAN. We have some trade with Argentina, but, unfortunately, what Argentina produces we do not have the opportunity to purchase to any great extent.

Senator MAGNUSON. We don't need anything she produces.

Mr. TURMAN. That is right. In Brazil, the situation is the opposite, in that we are the great coffee consumers. That produces a great part of the revenue that makes up this balance in trade in her dollars, with which she buys from us.

What then will be the effect upon the American merchant marine of this return of world trade to its prewar patterns? Before answering this question, it is well to consider the basic types of cargoes and their usual mode of transportation.

Future prospects of liner vessels: Nonbulk cargoes are more often called general cargoes, and are primarily goods and materials which are not fungible and which are identified by mark, count, or other identification. They usually move in less-than-shipload lots, and include such commodities as machinery, various manufactures, cotton, coffee, etc.

The regular liner services are organized to accommodate these higher-class commodities, which require great care in handling and expeditious dispatch, and which usually may be expected to move steadily. The liner services sail on fixed routes, making regular, advertised ports of call and hold themselves out as common carriers, offering their services at fixed tariff rates. Because of regular schedules and reliable frequency of service, the greater portion of all general cargo moves in liner-type vessels.

In the past, American-flag liner operators have participated substantially in general cargo movements; they have also sought and obtained parcel lots of bulk cargoes both outbound and homeward.

We believe that the number of American-flag liner vessels can be maintained at or about the present level.

Senator POTTER. When you speak of "liner-type vessels," are you speaking of combination vessels?

Mr. TURMAN. Not necessarily. The liner-type vessel, to make it more readily identifiable, would be the C-type vessels. They have a greater speed and refinement. They have more 'tween-decks than the normal tramp vessels. The tramp vessel is primarily designed to handle bulk cargoes in the most economical fashion, with regard to compartmentation. They are slower and less expensive vessels.

Senator MAGNUSON. It is the difference between the Railway Express and a freight car?

Mr. TURMAN. That is right.

Mr. DREWRY. Doesn't it further imply the operation over a regular line?

Mr. TURMAN. He asked about the vessel. When you talk about the tramp trades and liner trades, you are correct. In other words, the tramp vessel, the tramp operator, sets himself forth as being primarily a full cargo carrier of these bulk commodities that move in great volume. The old pattern, in the prewar days, was that you would find the British would spot their ships around to follow these various seasonal movements throughout the world. It is almost a pattern. If the grain crop was going to come in in Australia at a certain time, they found it possible, from the continent, or some other place, to work the ship down there and bring home the grain. Then he would go into Argentina or the Danubian area. It was a pattern that was most fascinating, to follow these tramp ships in world trade. They had no home.

Mr. DREWRY. On that point, Mr. Turman, what is the situation now, generally, with the British, who were the great trampers? Has their worldwide tramping on that speculative basis been diminishing in recent years?

Mr. TURMAN. No. I think the British will always be the preponderant tramp operators. They have this large merchant marine. They have to have that, as a processing nation, to bring these raw materials in. Their existence depends on it. They couldn't depend on Scandinavian ships or American ships or anybody else. She starves if she doesn't; she is going to have these ships.

Here, again, the pattern of history repeats itself. After World War I, Britain came out of the war with a loss of a great fleet. Her immediate consideration was a rehabilitation of the liners. She didn't have a lot of tramp trade. A lot of them were gone. As manpower and materials opened up, and shipbuilding facilities, she rehabilitated her liner fleet and took the old liners and put them into the tramps. They fell back, where feasible, into these tramps fleets.

As time went on, and the cycle of trade went down, then the British stepped in and started building real tramp vessels. They were not expensive vessels, but they were built for the tramp trade, built to keep her shipbuilding program going and because she had to have tramps in existence.

She had this great Commonwealth of Nations. She had the sterling arrangements of buying and selling that she had built up over the centuries.

Senator POTTER. She built tramps, rather than liners?

Mr. TURMAN. First, liners; but then, when her shipyards got to have no work, when trade was down, that was when she would build tramps.

I can recall that back in the 1930's world trade got down to such a terrifically low level that under the guidance of the British Board of Trade, they evolved what is known as the "tramp-shipping scheme." They got the Scandinavian and the other big European maritime nations to join with them. Under that scheme they agreed, pro rata, that they would lay up so many vessels, because there were too many vessels, and the business got to have cutthroat rates. They agreed on minimum rates which they would quote. It was a big cartel, if you would. They laid up many vessels. If you belonged to it, you had to do it. They set the rates. If business got better, they broke out the vessels. But it was all controlled under this agreement, if anybody entered into it.

I can recall at one time we got a complaint from them because some of our liner requirements, when things were so bad, we weren't a member to it, but they were critical of the fact that we had underquoted their tramp-scheme rate because we had to have this cargo. It shows you how these nations are looking after their own shipping, you might say.

Senator POTTER. Can American trampers compete with the foreign trampers without Government aid?

Mr. TURMAN. It is just the same story, Senator, as why we have the operating differential subsidy. Let's assume the cost of a Brigish ship—operating, we will say, a Liberty—is the same capital cost, same insurance evaluations, but with a difference in your wages, feeding, and so forth.

The British would probably operate at 50 percent of the American ship. Therefore, he is at that disadvantage in a free, competitive market, in trying to compete with the British tramp after that business.

Senator POTTER. Are the British trampers privately owned or not?

Mr. TURMAN. Privately owned.

Senator MAGNUSON. They are all privately owned. But the government can and does, on some occasions, participate, stockwise, in the companies; in other words, they become a stockholder in the company.

Senator POTTER. And can have an influence on the management?

Senator MAGNUSON. Yes.

Mr. TURMAN. They are very flexible in their aids and taxwise.

Senator MAGUSON. It is like anything else. If we had an investment in your line, the Government, we would be more anxious to see that you continued operations and remained healthy than if we didn't have a direct financial interest in your business. That is the way the Government gets into some of these things. That is true all over the whole British Commonwealth.

The government owns part of the railroads, part of the warehousing, terminals. In other words, they make their investments, government investments, in private enterprise. It is common practice.

Mr. TURMAN. The future of American tramp vessels: Bulk cargoes are fungible and not generally identified by mark, count or other identification. Due to the nature and relatively low value of these cargoes they seek low-cost transportation, and vessel speed and regu-

larity of service are of secondary importance. They usually move in shipload lots and include coal, grains, sulfur and ore.

Such cargoes fluctuate with (1) their supply (as grains at harvest time); and (2) their demand (as coal in fall and winter; ore to build up winter working supplies). The movements of these commodities are irregular and as a consequence, a large amount of world shipping shifts about to accommodate the fluctuating demands upon it. If ample tonnage is available, rates fall; if there is a shortage of tonnage, rates rise. Rates often fall so low that even some of the low-cost foreign operators are forced to lay up their vessels because they cannot meet expenses. As pointed out earlier, the devastation in Europe, and unusual need of imports of bulk commodities, the "50/50" carriage clause used in the supply of these commodities by the United States, combined with a shortage of world ocean tonnage, gave a real opportunity for American-flag tramp operations in the early postwar period. The partial restoration of normalcy just before Korea almost drove American-flag tramp ships from business because of low rates. The post-Korea world buying spree, stockpiling by most nations of basic raw materials, as well as demands upon American tonnage for Korea and the Indian grain program, gave a revival to abnormal bulk trading and bulk rates moved up again, giving a respite to our tramp operators.

Now that there has been a reduction in bulk cargo movements (caused principally by reasons outlined herein under the sterling area analysis) the American-flag tramp operators find the going difficult financially. Further, an examination of the world bulk trade reveals:

1. The large bulk cargo importing nations of the world (principally Great Britain, Germany, Japan, Italy, Belgium, Holland, and France), now have available or are in process of building adequate merchant marines; their overall planning contemplates the operation of a sufficient number of tramp vessels to serve their minimum import requirements;

2. Under the ECA/MSA appropriation acts, American-flag tramps were guaranteed substantial participation in the carriage of bulk cargoes with the shipping charges being paid from appropriated funds. With the curtailment of economic aid, and particularly as a consequence of the Whitten amendment to the 1953 MSA Appropriation Act, foreign nations now are purchasing larger proportions of their bulk cargo requirements with "free" dollars so that guaranteed cargo is decreasing. This tendency will increase as economic aid is further reduced;

3. Under these conditions the prewar pattern will once again assert itself and foreign governments will nominate their own national flag vessels (or vessels of nations for which ample currency balances are available) for the carriage of tramp cargoes. American-flag vessels will be used only under unusual circumstances or under emergency conditions;

4. Under normal circumstances the bread and coarse grains constitute the only substantial export tramp trade from the United States. There follows a graphic analysis of grain exported to all countries of the world from the principal Gulf ports during the period from 1912 to 1947.

I would suggest you turn over the page at that point and look at this graph. Unfortunately, the only information we were able to get—

this is old information brought up to date—was from the Army engineers. The Census I don't think have this information over such a long period.

But if you will notice here the exports, starting off here in 1912, they were down under a million, in 1914 up to 2½ million. Then they come down again in 1919 and 1920, and look where they go in 1921. It is the same sort of pattern as you would find here if we had it carried out beyond 1947. But anyway, you have this pattern of when Europe was destitute, your old supply sources were not there, and exports go way up.

In 1922 you start down. In 1923 you had quite a little. You come back up in 1924, and so on. Now we come to 1933. You will find here that we had practically no exports, 1933, 1934, 1935, and part of 1936; that was true.

As stated here at the bottom of the chart, "During the years 1934 and 1936, inclusive, the United States was a net importer of grains through these Gulf ports as indicated from the following summary."

This grain situation depends on a great many things, the crop failures in certain countries, their ability to produce it; naturally, if they have the ground and the know-how and the proper conditions, such as exist in the Argentine, Australia, New Zealand, and other places, the Danubian, and parts of Russia, they will always do it. That is part of their life. We have it over here. We have other things, too. It is a question of exchange of exports versus imports, balance of trade, out of dollars available, and all of these competitive forces.

Senator POTTER. I assume it is down considerably from 1947, the last indication we have here, which is about 3 million tons.

Mr. TURMAN. It has fluctuated up and down. As a matter of fact, you had a situation in the Argentine where Mr. Peron was trying to drive all the country to industry, which is a great blunder. I think this current year is one of the first years that they are coming back with with a normal supply of grain and production.

Senator POTTER. I went to Argentina this last December. Argentina was proud of their grains and their beef. They had to ration beef 2 days a week, and the bread was a coarse bread, which they don't normally have, because of the dislocation of their agriculture through Peron's trying to bring people into the cities for industrial pursuits rather than under agricultural pursuits.

Mr. TURMAN. In other words, in the line where they have been great suppliers, they have gone up in price and quality is down.

Senator POTTER. Peron has thrown the country into quite a state of economic chaos.

Senator MAGNUSON. If you will excuse me, I have another appointment. I have just read your conclusions ahead of time. I suppose what you are suggesting for our information is that, not using any magic figure of 430 vessels or any such figure, but that you suggest a somewhat gloomy picture of us keeping alive too big a merchant marine because of these various conditions that you mention, and in particular a tramp situation which is bound to disintegrate inasmuch as our bulk cargoes are going to be gradually diminished?

Mr. TURMAN. That is right.

Senator MAGNUSON. I think you would agree with me, and I am sure the chairman would, that we have another factor involved here

in this merchant marine, other than economic, and that we should do everything to keep what you might consider adequate, maybe another number, but this type of fleet, and particularly our replacements; wouldn't you agree with that?

Mr. TURMAN. Completely.

Senator MAGNUSON. Not add to it but replacements?

Mr. TURMAN. I want to make it perfectly clear we paint a gloomy picture.

Senator MAGNUSON. I think you are absolutely correct. As these countries rehabilitate themselves, and as they get the know-how which we have helped them get since the war, our export situation is going to gradually dry up.

Mr. TURMAN. I want to make this plain, and I am glad you brought it up before you go, we are not setting ourselves forth here to combat it, necessarily, and say that there should not be aid to a tramp fleet.

We are trying in a fairminded way to get an equitable evaluation and study of this thing in order to lay the facts before you. The military talked yesterday about bulk carriers.

What they really meant, as developed by your questioning, was that they can't place all their reliance, and I think they are right, on scheduled ships to carry all their cargoes because they are on fixed routes and have special purposes.

Senator MAGNUSON. We might as well be very frank here. I don't think anyone, even the tramp operators, believe that we could maintain in normal economic world conditions the size of the tramp fleet we found ourselves with after World War II.

Mr. TURMAN. That is right.

Senator MAGNUSON. We have to get down to real cold, hard facts about our tramp fleet, and we have to get down to cold, hard facts about our liner operations and trade route operations, and get to know where it is adequate, because I can't see any other future to this except that the American Government is going to have to see that these things are kept alive. That means a subsidy.

Mr. TURMAN. I think that is absolutely right.

Senator MAGNUSON. We are all coming to it. We have no other escape as things gradually get down to normal. You agree with me on that?

Mr. TURMAN. I certainly do.

Senator MAGNUSON. I don't think the cost of doing that, and keeping what we term an adequate—three may be some difference as to the details—American merchant marine is going to be so high that it is not going to be worthwhile. But you agree with me that we have to sell the American people that a merchant marine is necessary?

Mr. TURMAN. I think that is our number one problem.

Senator MAGNUSON. That is the real problem?

Mr. TURMAN. Yes. And after that is how you go about accomplishing it. You weigh the best means and the most economical means of accomplishing it, the commercial and military need.

Senator MAGNUSON. What you say is correct. This is gradually becoming a pretty serious matter.

Mr. TURMAN. It is a serious matter. We are not here, as I say, trying to attack anything. We are trying to evaluate this thing and

put it as we see it here, put the issues up to you as we see it. It is a question of how you are going to do these things in cost. This is just one stage, as far as we are concerned.

Senator MAGNUSON. I think your analysis is very good, your projection of the situation, because as you say, it is just history repeating itself. As you go around, you can see it.

Mr. TURMAN. The more you get around, the more obvious it becomes to you. Take the Japanese. We serviced their merchant marine and things they are doing. That is just one example. That goes on to the Germans. The Germans are going to have their place in the sun. As a maritime nation, they will be one of the smartest.

Senator MAGNUSON. Come 1955, I don't know of any orders for our shipyards. They will all be completed. We have to do something about that.

Mr. TURMAN. The Mariners are the last ones, are they not?

Senator MAGNUSON. Yes. From the early part of 1955, there is no substantial order anyplace for any ship construction.

Senator POTTER. And there won't be any unless we get a few things straightened out as to the jurisdiction of the Maritime Board.

Senator MAGNUSON. I think we must be intelligent about the thing and cut the cost to fit the pattern of what we know is going to be, and then stick to it.

Mr. TURMAN. We have to have some reliance on these contracts we have.

Senator POTTER. Reliance on Government policy.

Senator MAGNUSON. I am sorry to interrupt.

Senator POTTER. That is perfectly all right.

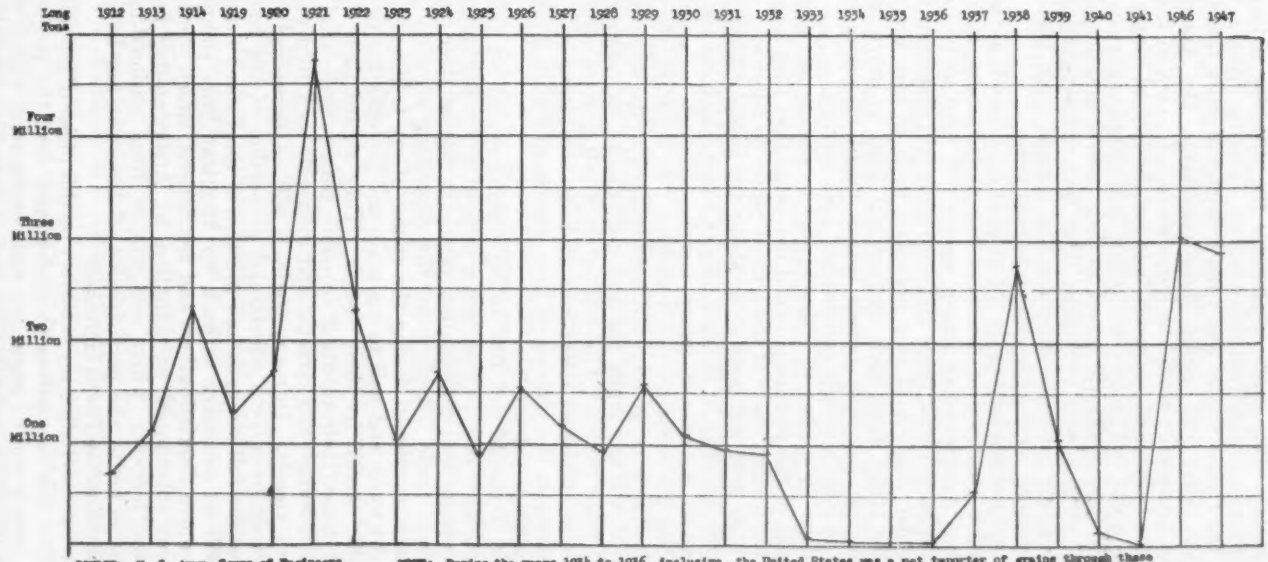
Mr. TURMAN. Mr. Chairman, I would like to submit this chart for the record.

Senator POTTER. Without objection, it will be made a part of the record.

(The chart referred to is as follows:)

GRAPHIC ANALYSIS OF GRAIN EXPORTED TO ALL COUNTRIES OF THE WORLD
FROM THE PORTS OF MOBILE, NEW ORLEANS, GALVESTON AND HOUSTON

YEARS 1912 TO 1947, INCLUSIVE




SOURCE: U. S. Army, Corps of Engineers

NOTE: During the years 1934 to 1936, inclusive, the United States was a net exporter of grains through these Gulf ports as indicated from the following summary:

| | 1934 | 1935 | 1936 |
|---|---|---|---|
| Imports | 26,000 | 260,000 | 44,000 |
| Exports | 16,000 | 6,000 | 8,000 |
| Net Imports | 10,000 | 254,000 | 36,000 |

Mr. TURMAN. This chart emphasizes the irregular nature of the grain-export movement from this country. During 3 years, 1934–36, inclusive, the United States was a net importer of grain through these major grain ports and, under these conditions, the American-flag tramp fleet necessarily would be inoperative. In view of the critical nature of the balance of payments between the United States and the rest of the world, we believe the major bulk-cargo-exporting nations of the world once again will revert to their prewar practice of buying these bulk cargoes and providing their own transportation. This would effectively preclude American-flag tramps from participation in this movement, as was the case in prewar years.

5. Without a sharp increase in the amount of economic aid and without legislative guaranty of American-flag participation, it seems inevitable that American-flag tramp vessels will tend to be foreclosed from this outbound bulk trade and once more will disappear from the seas. Regular imports of raw materials such as iron ore will not prevent this trend since such cargoes will tend to move by homebound American-flag liner vessels (which might otherwise return in ballast) or in large specially constructed bulk carriers.

Conclusion: In summary, I should like to restate our conclusions as to the size of the privately owned dry-cargo fleet that may be employed in the foreign trade of the United States as follows:

1. The liner fleet will hold at or about the present levels. There is much more stability in the quantity of cargo which moves by liner vessels than in the case of tramp vessels, although, as pointed out, we are feeling the economic pinch all over. In addition, the postwar movements of liner cargo have not been inflated to the same degree as, in the case of coal and grain, the principal tramp-type cargoes moving from the United States. The manner in which general cargo moves and the more stabilized operations of liner companies will tend to hold variations in the number of liner vessels to within a reasonable range of the predicted number.

However, I should not like to be misunderstood on this point. It is a formidable task to maintain a total of about 430 cargo vessels and 62 passenger and combination vessels in regular liner operations in the foreign trade. Aside from the depressing economic factors, which I have mentioned during the course of my testimony, foreign nations fight tooth and nail to maintain and increase the proportion of the traffic carried by their vessels. They regard their merchant marines as chosen instruments of economic penetration—vital to their national well-being—and directly and indirectly seek to divert cargo to their own vessels. In many trades it will be increasingly difficult for our vessels to carry a substantial proportion of the traffic. In these trades the full strength and prestige of the United States Government will be necessary to back up American liner companies in order to remove discriminations and restrictions, which would otherwise prevent substantial participation by American-flag lines. In other trades, however, where competition from national-flag lines may not be so acute, the participation of American flag liner vessels may be maintained and even increased.

Therefore, in concluding my summary on this phase of my testimony, I should like this committee to understand that the projection of 430 cargo vessels and 62 passenger and combination vessels does not represent a minimum estimate, but, rather, represents something close

to the maximum attainable liner fleet which may be supported in the foreign trade of the United States in the foreseeable future.

In periods of sharp restrictions in the foreign trade, liner vessels will either have to be laid up or find employment in the protected trades, including charters to agencies of the United States Government.

2. In the case of tramp vessels, the picture is not encouraging for continued American-flag operations. Tramp cargo is cheap and seeks cheap transportation. Under normal circumstances that cheap transportation is provided by the lowest cost tramp operators in the world. Further, the foreign nations purchasing bulk cargoes prefer to provide their own ocean transportation; this practice gives them a measure of control over ocean transportation costs and provides employment for their national interests.

The United States is a marginal supplier of bulk cargoes, and in many prewar years exports of these tramp cargoes dwindled to a mere trickle. All of these factors, regrettably, but certainly, lead to the conclusion that under prospective conditions of employment there will be little, if any, opportunity for the profitable operation of American-flag tramp vessels. New and extended programs of economic aid will only forestall the inevitable day of reckoning. We subscribe fully to the statement of Admiral Wilson (p. 4 of his testimony):

> The number and type of vessels in the active national-defense fleet which can be gainfully employed in the conduct of normal peacetime commerce appears to be a matter which is controlled by the national economy and foreign commerce.

For these reasons we have considered that a privately owned tramp fleet supported by commercial cargo cannot survive under the American flag in future years. If the needs of national defense make it desirable to have in being a fast (18-knot) tramp fleet, it seems obvious that it must be largely, if not entirely, supported by military or Government cargoes.

We construed the admiral's testimony yesterday—I don't know if I am correct; maybe he can enlighten me—we assume that he said that he wanted an active supply of vessels which were not on regular schedule—that is, where he referred to these tramps—that he wanted them because he had special projects in connection with the occupation forces, and he couldn't be tied down to sailing dates and the itineraries of these vessels.

Our conclusion was that he said the Liberty vessel was uneconomic, too slow, and what he was after was a faster, better type of vessel.

Senator POTTER. Did you assume from his testimony that he was referring to the nucleus fleet of MSTS?

Mr. TURMAN. My conclusion from his testimony was, and I think it ought to be cleared up somewhere, that he was talking about this fleet that he wanted; that he had to have a fleet of unscheduled, fast vessels, at least of the C-type.

Mr. DREWRY. That was my understanding, Mr. Turman, that he was referring not to vessels that would be in the custody of the National Defense Establishment, but would be in the American merchant marine and available to a certain extent for unscheduled movements to various areas of the world for various types of cargo, or to an area where liner services did not normally go. That was my understanding of what he meant.

And as to the type of vessel, he completely rejected the Liberty ship as being suitable for that purpose, but had in mind vessels conforming

to the standards, as near as possible, of those set forth, 18-knot vessels, as close to the C–2, C–3 type as possible.

Mr. TURMAN. That being the case, that contemplates something over and above these modern vessels in existence, which are made up principally of the C-type and Victories, that he is in need of these fast 18-knot ships in addition to replacing the so-called Liberties now in existence which he is using. That is what he gets back to, isn't it?

Mr. DREWRY. He didn't speak of the Victories at all.

Mr. TURMAN. I say, the Victory. I know he is talking about the C–2, or both. That seems to me that is where you have your problem of evaluation and come down to where the real issues of this thing are.

Senator POTTER. Would it be possible to operate that type of ship in the tramp trade?

Mr. TURMAN. I think you would have to start on this premise. I think it is the real issue to this problem in the national defense feature. If the Mariner costs, we will say, an average of $9 million or $10 million, and she has certain refinements and is a special type ship, but under present condition, let's even assume that the type of ship that would suit his needs, and I may add here it will be an expensive ship—when the Admiral talks about the fact that he wants a ship in the neighborhood of a C–3, of that speed, and he wants a certain compartmentation, and he wants to load and discharge in 2 days, you are really running into money, whether you call it an unscheduled ship or whatever you call it. It is going to be an expensive ship.

Let's say for the sake of argument, you discount the cost of a Mariner by $2 million. Say you are building a great number of these ships, sufficient to get the benefit of bulk construction and standardization and you would have $8 million on 100 ships. We are really talking about big money.

We who are in commercial operation are in no position to know the needs of the military. That is their duty. They say what they need. I think the issue finally comes back as between what we could commercially keep in being, and the costs, and that which he needs in addition, and what the cost is and what the best means of doing it is.

Senator POTTER. I think it is foolhardy to construct ships upon the design of the military without taking into consideration the commercial value of the ship. I think that was brought out yesterday or the day before in considering the Mariners. The industry wasn't consulted as to the type of construction of the ship or as to its commercial use, while the military was.

It may, I assume it does, have certain features which are not particularly desirable for commercial use. We know we are not going to build ships and put them up in the reserve fleet. If we are going to build ships, we are going to use them.

That being the case, I think there has to be a greater effort between the military and the industry, along with the Commission, to work together and to make sure that these ships, while they have the features that are needed, be a compromise that will be satisfactory.

Mr. TURMAN. Any ship is a compromise, I may say, sir.

Senator POTTER. That it will have as great commercial value as we possibly can secure.

Mr. TURMAN. I would like to make this short observation. The great element of speed which is so costly in a ship is something to think about. From the commercial standpoint, the quicker the

shipowner can turn a ship around and get her there and back, is what he seeks, because he has a running cost per day which is a real factor, plus the cost of loading. What we run into, and what the Admiral is talking about, is a ship that can load and discharge in 2 days. That is fine where his ship goes to load in a port of embarkation where all the cargo is assembled and ready and out there, and can be shoved right on under those conditions, and he has a war operation where expense is secondary to get it off.

But we who are in commercial shipping are sending our ships all over the world. We have good ports and dock facilities and quick discharge of mechanical appliances in Antwerp, Rotterdam, Amsterdam, and other ports. In many United Kingdom ports the facilities are not nearly as good as ours. When we come to some of ours, with all the things he speaks of, you couldn't do the thing physically with the setup of our docks. There has to be long-range planning on that. Facilities, generally, have not matched the development in ship construction.

We find in our operations, to give you an analogy of how this works, that we have C–1 type ships that make 14 knots, C–2 type ships that make 15½, and C–3 type ships that make 16½.

We can take these ships and put them on the same European run, same loading and discharging ports, same itinerary, same types of cargo, and here you have a low of 14 to 16½ on a 4,800-mile voyage each way, and they will end up over the year with about the same turnaround, meaning that the added cargo capacity, because of size that goes along with these ships that your added speed does not get much more out of it. In other words, you pay this great amount for speed, but your ships are a good part of the time in the ports.

Senator POTTER. Laid up where the speed is no factor?

Mr. TURMAN. That is right, and not because your gear is not good, although admittedly it can be improved, and as time goes on we do. We are always thinking about methods of cargo handling. But the physical layout of the dock, the approaches, how they get rid of the cargo, customs of the country, and what not, are some of the problems that are very, very costly to do the things from a commercial standpoint and to have the type of ship that he wants from the military standpoint.

Senator POTTER. I would assume probably an MSTS operation, which is a military operation, can facilitate a turnaround much more quickly than in private industry?

Mr. TURMAN. Unquestionably.

Senator POTTER. Their labor is under their complete control?

Mr. TURMAN. Time is of the essence with them, and they can pay for it when they do it. I don't mean to say that from an impractical standpoint, but I mean time is of the essence and, therefore, you do what is necessary.

Senator POTTER. I suppose it would be difficult for you to give me an idea of the length of time you are normally at dockside while you are loading and unloading cargo because it would depend upon the cargo and upon the facilities at the port?

Mr. TURMAN. That is right. Let us put it this way, Senator: When times were very favorable, during this time, we will call it up to the period of 1947 through mid-1948, when all these cargoes had accumulated and they were ready and available and the flow of them

was there where you could lay them out on the dock, we could take a C–3 ship and load in 10,000 or 11,000 tons in 5 workingdays. I think that is exceptionally good dispatch.

If she went to Antwerp or Rotterdam, we could discharge them in about 6 working days, including the shifting. That gives you the situation under favorable conditions. That is applied to general cargo, that is, the average run of general cargo, cotton, grain, flour, and many things that go to make up the general cargo.

Senator POTTER. You have gone over Admiral Wilson's testimony as to what the targets are that they would like to have for defense purposes. You have cited the fact that speed may not be as great an element as the admiral mentioned, certainly is not a great element to you in commercial trade.

What about the number and size of ships that he mentioned as a target which they would like for defense purposes?

Mr. TURMAN. I do not think that you could absorb in commercial trade the number of ships that he has mentioned. I think it would cost somebody a whole lot of money, unless there are shifts and changes in our situation. I think we should be realistic in our thinking, if we do eventually get an era of peace. If we got back, say, into the Iron Curtain countries, so that there was a freedom of trade, I think then we would have a very favorable situation for a number of years. The merchant marine could probably expand.

But looking at the situation as it is, at least as we have viewed it, the uncertainties, I think you would have to go along with caution, at least, I just couldn't see it, and we can't.

Senator POTTER. If we put into effect the enunciated policy of the administration of "trade not aid," I would assume that would have a favorable effect upon our merchant marine as to the numbers that would be required or the numbers that could be absorbed in commercial trade?

Mr. TURMAN. If it could actually be put into effect. This "trade not aid" is always good to let the tariff down if it doesn't hit you on your doorstep. I couldn't imagine bringing in several shiploads of Argentine beef into Texas. You would have Texas seceding.

Senator POTTER. I think that is probably true.

Mr. TURMAN. There is a measure where it can be improved and will and should be.

Senator POTTER. I doubt very much if our exporting will be in the bulk-cargo trade. I would assume that our greatest export will be in the manufactured goods.

Mr. TURMAN. Machinery or some particular commodity that we do have a better quality of, even some agricultural commodities. I don't think you will ever get to a position where you can sell American cotton short, that it will always penetrate to a degree in foreign trade.

Senator POTTER. What effect will this, or will it have any effect, 100 million bushels of wheat that we are sending to Pakistan?

Mr. TURMAN. That is like carrying "coals to Newcastle," Senator.

Senator POTTER. Will that use many ships?

Mr. TURMAN. I would say at least 100 voyages. It is a million tons. It is 10 hundred thousand tons. That is a million, isn't it? That would be 100 voyages.

Senator POTTER. That is a special trade?

Mr. TURMAN. It would be over 100 voyages, actually.

Senator POTTER. There also is a possibility that legislation will be enacted to give the President the authority, rather than by congressional action, to send certain agricultural commodities that are in surplus to countries throughout the world who have had crop failures or whatever it might be. I know South Korea is one that is now being considered.

Mr. TURMAN. It is a big field.

Senator POTTER. Yes. I am just wondering if that did go into effect, in programs of that type, whether as far as the overall merchant marine is concerned, it would be a major factor in determining whether the ships can be absorbed in our commercial fleet.

Mr. TURMAN. If they were continuing, yes. But the trouble is there that these things are emergency situations that come and are gone.

Senator POTTER. No one is going to construct ships for that purpose because it is a temporary measure?

Mr. TURMAN. That is right. Getting back to the Admiral's testimony, here is something that caused me some thought overnight in thinking of it. Rightfully so, he said he evaluated the situation, based on the Joint Chiefs of Staff, as of now. Based on conditions here and here and here, as he saw it, this was the number of ships that is in being and that is available, and here is what he needs additionally.

We can always look 6 months ahead and say that we think we are getting on to a true situation, although troops will remain, but the lift would depreciate to a certain condition. We are always aiming and looking toward peace and settlement of the world. If you didn't, you would have nothing to hope for. So somewhere down the line there must come some standard of more nearer normalcy than we live in today. So it could very well be that as the target and requirement is on a rather inflated basis as of the situation now, within 6 months or a year hence it will not be so.

I am thinking more in terms of how this thing could be worked out. I may be getting a little beyond my assignment here in talking about how these things are done, but just simply to leave an idea of what we are discussing, somewhere down the line these C–3 ships, which I think competitively today are about as good as normal ships in existence, will have to be considered. They are good ships, these C–2's and C–3's. There may be technological advancements in propulsion that will antiquate them eventually, but up to now they have not come forward. Some lean to diesel. In our own company, we like the high-pressure steam turbine. We think they are good ships. They will wear out and obsolescence will come.

If the present C-type merchant marine should be increased, meeting to a degree national defense requirements of additional speed, maybe something between a C–2 and a C–3, which in a great many trades would work, it would be a compromise ship that conceivably could be used in a number of trades to advantage. Wouldn't it be logical to think of it in planning, at least to give consideration to a replacement, gradual replacement of the C-type ships and Victories in being with this improved modern vessel.

As you do, you take your present C-type, and your standby fleet, and when you do, you gradually get rid of your Liberties, which are a continuing expense. They are already admitted to be outdated,

uneconomic, and you would eventually end up with a much more efficient standby fleet, and it would be a logical way of doing it.

Senator POTTER. How do our C-type vessels compare with the comparable foreign vessels?

Mr. TURMAN. I can only answer it this way. Some of our Dutch owner competitive friends who are able to get some of the C-type vessels, and also one of the most outstanding Scandinavian owners, have told me that the vessels which they had gotten of the C type, and some of the diesel ones, were as good a ship as they had in their fleet and had constructed. They spoke very highly of them, as to their performance, their adaptability for their particular purposes, and their efficiency. Of course, there may be some disadvantages in that their machinery, replacement of parts, is not available to them over there, and they are not supplied and have to be gotten over here. But by and large, they were very complimentary of them.

Senator POTTER. What is the possibility of developing any new trade routes?

Mr. TURMAN. Well, I think we are going to have shifting patterns as these tensions decrease.

Senator POTTER. It may dry up on some and gain on others; is that your point?

Mr. TURMAN. Yes. We must have areas in the world where there is no service today. As population shifts come about and changes in economic conditions; as the standards of living are increased; as we go into exploiting the mineral and natural resources and raw materials; I think there are certainly bound to be many fields in the future where there will be opportunities for expansion. Even the present trade routes are susceptible to considerable expansion.

Your committee will then be faced with a decision as to whether the military exigencies are great enough and the national economy strong enough to warrant the costs of construction and maintenance of such a tramp fleet. We were talking about this fleet of 18-knot ships. This then briefly outlines the size and character of the fleet which, I believe, is commercially attainable. Maintenance of this projected commercial fleet on a long-range basis will largely depend on factors such as:

(*a*) Developments in world economic and cargo conditions along the lines of the economic survey which I have previously reviewed.

(*b*) Reasonable competitive conditions which will permit American-flag liner vessels to obtain fair proportions of the available cargo, including the prompt elimination of discriminations and restrictions which may be invoked from time to time by foreign governments.

(*c*) Restrictions of the use of Government-owned vessels to a proper and limited field of activity.

(*d*) Continuance of a consistent, long-term Government policy based on the "parity" principles of the 1936 act

(*e*) Appropriation in future years of the large sums which will be necessary to expand and replace the present fleet.

Senator POTTER. Do you think there should be any change in that period of formula?

Mr. TURMAN. No, sir; I think it is eminently sound, if the Congress could find some means to permit the Maritime Commission to properly administer their functions in their discretion, as was intended.

Senator POTTER. That has been one of the big problems that I am conscious of, and the committee is conscious of, that every year we have a continuing fight, as you well know. I think Mr. Murray, the Under Secretary of Commerce, is conscious of the problem as it relates to the discretionary powers of the Maritime Board, and certainly the validity of a Government contract. I hope that will be corrected in the near future.

Mr. TURMAN. If this committee desires, during the course of these hearings, the group of companies which I here represent will arrange to have other witnesses appear and outline our views on certain of the above subjects as well as to make specific suggestions, regarding (i) the replacement problem; (ii) block obsolescence; (iii) a program for upgrading the reserve fleet and the manner in which such a program will close the gap between the commercial fleet and the so-called military nucleus; (iv) disposal of obsolete vessels; (v) technological developments and their long-range significance; (vi) possibility of private financing of vessel mortgages; (vii) need for firm and binding construction contracts and for fixing construction subsidy rates in advance; (viii) other matters of interest to the industry.

Senator POTTER. I wish to thank you for a very enlightening statement. We will be continuing the hearings. As you know, this is an exploratory hearing we are having. We hope, from the information that you give us, and other interested people, that we will be able to, if new legislation is needed, recommend it, and if administrative action is needed, to recommend that to the executive branch of the Government.

Whatever action we can take as a committee to bring about the desired results for an active, solid merchant marine is our purpose. We will take advantage of your offer and call upon the people that you represent for your best advice.

Mr. TURMAN. Senator, I want to thank you for your courtesy and patience in letting us come here. It has been a pleasure for us to make an appearance. We hope you will call on us if we can be of any further assistance.

Senator POTTER. I think I will be in your New Orleans next week.

Mr. TURMAN. I hope to have the pleasure of seeing you down there.

Senator POTTER. The committee will be in recess until July 3, at which time we hope to hear from the Department of Commerce.

(Whereupon, at 12:10 p. m., the committee recessed to reconvene on July 3, 1953.)

# MERCHANT MARINE STUDIES

FRIDAY, JULY 3, 1953

UNITED STATES SENATE,
SPECIAL SUBCOMMITTEE ON MARITIME SUBSIDIES OF THE
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
*Washington, D. C.*

The subcommittee met, pursuant to call, in room G–16, Capitol, at 10:15 a. m., Senator Charles E. Potter, presiding.

Present: Senator Potter.

Also presents: Mr. John M. Drewry, special counsel to the subcommittee.

Senator POTTER. The Subcommittee on Maritime Subsidies will come to order. We are pleased to have with us today Mr. Murray, Under Secretary of Commerce, in charge of transportation, and Mr. Clark of the Maritime Administration, who are here to give us the benefit of their views.

Both Mr. Murray and Mr. Clark, and other representatives of the Department of Commerce, have appeared before this subcommittee in executive session. This problem was discussed at that time. We recognize that the Department of Commerce, as other agencies of the executive branch of government, has been in the process of reviewing what exists today and endeavoring to determine what is needed to carry out the policies of our Government.

Mr. Murray, if you are ready at this time, we will hear your statement. First I would like to inquire how Mr. Gatov is. Is he improving?

## STATEMENT OF ROBERT B. MURRAY, JR., UNDER SECRETARY OF COMMERCE FOR TRANSPORTATION

Mr. MURRAY. Yes. Mr. Weeks and I went out to see him Tuesday night. He seemed to be in pretty good shape. He is walking with a cane, but he is able to walk around.

Mr. CLARK. He returned home yesterday.

Mr. MURRAY. Mr. Rothschild was sworn in yesterday. The Maritime Administrator now has a flag that participated in the swearing-in exercise. As soon as we were through with it, we bundled it in a box and sent it out to Mr. Gatov for him to put at the top of the staff. Did he get it, Mr. Clark?

Mr. CLARK. I think he got it this morning.

Mr. MURRAY. My appearance before this special subcommittee is in response to a letter which you addressed to Secretary Weeks on April 24, wherein you advised that this special Subcommittee on Maritime Subsidies had been established under Senate Resolution 41.

Your letter outlined the general scope of the inquiry to be conducted by your committee. From consultation with your staff, I have learned that today you desire that I direct my attention to—(1) Consideration of the size, composition, quality, and employment of the United States fleet, including the national-defense reserve, and (2) the need for a tangible and continuing program for ship replacements in order to meet the needs of commerce and national defense.

It is recognized that present conditions and future outlook facing the American merchant marine call for a thorough review of current overall policies and national objectives in maritime affairs. Basic to such consideration is a practical determination of the kind and quantity of merchant marine the United States requires to maintain her commerce and protect her shores. The extent of the Government's role in shipping, including the subsidy program for the future, will depend on such determination.

Senator POTTER. If the Secretary would yield, what is your pleasure? Do you prefer to finish your statement before any questions are asked, or do you mind if questions are interjected in the course of your statement?

Mr. MURRAY. It does not matter. Mr. Clark and I are teaming up on this. He will fill you in on the figures and details of the situation. I thought I would first scope out some of the basic thinking which we are involved in in trying to arrive at where we are going.

Senator POTTER. As you probably know, Admiral Wilson gave us the benefit of his views concerning the requirements of the merchant marine strictly from a military standpoint. We hope during the course of the testimony that you will give, or some members of your staff, or have that correlated with the commercial needs of the merchant marine.

Mr. MURRAY. We have some rather full information here which can be used in any way you want to use it. Mr. Clark and I, as I say, are teamed up together on this thing. Then we will answer questions after that, or just as you prefer.

Senator POTTER. Thank you.

Mr. MURRAY. We had planned to talk today simply about the size, composition, and quality of the merchant fleet and the need for a tangible and continuing program for ship replacements, in order to meet the needs of commerce and national defense.

To me, the question of the size and composition of the fleet required for the future is the very heart of the problem that we must cope with before this committee. In our present thinking, there are a number of basic considerations which should guide us in determining the needs of the fleet.

Mr. Clark will later go into the entire matter, the size, the quality, and the composition at the moment. He is not able today to go into the question of what do we do about the situation. But from the basic information which has been developed, it will be possible to turn in any direction we deem desirable within the policies that we are now setting up.

Senator POTTER. These other projections that are under consideration are under study at the present time?

Mr. MURRAY. That is right.

Among these basic considerations which I feel merit very serious attention are the following:

It seems to us, considering the number of vessels in the active fleet and the availability of the reserve fleet, that the present size of the fleet is adequate for the present and immediate future commercial purposes. It is readily apparent that we are not in a position where we are required to rely entirely on fleet additions; considerable expendability is possible through the reserve fleet. Our ability to augment the active fleet by resort to the reserve fleet ships has been amply demonstrated in the present Korean emergency. In other words, the vessels in the reserve fleet are available to meet greater than normal requirements.

Our present concept of a ship-construction program is that, basically, it should consist of replacements to improve the quality of the active fleet, rather than increasing its size beyond normal commercial requirements. Suitable replaced tonnage should go into the reserve fleet for possible future contingencies. With reference to the replacement program, it is my thought that such new construction, including tankers and passenger vessels, should be designed basically for their intended commercial uses.

Necessary national-defense features should be limited to those which do not make the vessels unacceptable for practical commercial operation. In other words, vessels should not be basically designed for military operations and adapted to commercial requirements.

Senator POTTER. Along that line, Mr. Secretary, I was a little distressed when we found that the order was made for the construction of the 35 Mariners that apparently the industry's advice was never sought as to the commercial use of the Mariners. Is that your information?

Mr. MURRAY. Of course, I was not here. I do not know what happened. I have heard that statement. I don't know whether that is true or not. We would not move on that basis, I am sure.

Senator POTTER. It would seem to me that, with any ship construction that would be contemplated, the industry should certainly be consulted to determine what commercial value the ship might have, and then, also, to discuss it with the military as to the military value of the ships, and the chances are that there would be compromises by both. But it is inconceivable that if you built ships from strictly a military standpoint, and then find it has little commercial value—I don't mean little commercial value, but it is not particularly suited for commercial use, that it seems to me as a suggestion, which I am sure you are conscious of, some type of committee should be established to go over ship design before construction to not only determine its military value but its commercial value.

Mr. MURRAY. If I might say, Senator, I think your point of view on that and mine might be considered slightly revolutionary, but it is very sound. We are approaching our problem from that basis. It seems to us that the really necessary national-defense features should be limited to those things which do not make a vessel unacceptable for commercial purposes.

Senator POTTER. As you know, it will never be the policy of the Government, at least I can't conceive it will be, to build ships and then put the ships in the reserve fleet. Unless the ships can be used commercially, we are going to find a Government with some ships on hand. Of course, that in turn will bring about an effort to have Government

operation of the ships. As a personal opinion, it is something I would like to see curtailed as much as possible.

Mr. MURRAY. You know how I feel on that subject. I think unless we do build ships for commercial requirements, and adapt them to the military requirements, rather than building them basically for military operations and adapting them for commercial operations, we pose a great temptation for additional and expanded governmental operation.

So that, from our point of view, we are approaching our studies on the basis that our job is to provide replacements of high quality for a commercial fleet. Obviously, we cannot avoid or overlook these defense activities. When we do this, we expect to make any moves in consultation with the people who, at some point, are going to use the ships. There is no point in our building ships in some kind of vacuum at a time when our fleet is getting obsolete that can't just pull their proper spot in the maritime picture.

Senator POTTER. That is right. I did not mean to interrupt you at this point, but I did think it was desirable, while we are mentioning the replacement of these vessels, to state it has been a problem that has struck me as to the best interests of the merchant marine and also for defense.

There will probably be compromise on the part of both the commercial operators and the military, but there should be a knitting together of their thinking so that we can build ships which will have a buyer after they are built.

Mr. MURRAY. That, of itself, is important from the defense point of view. We have people who want to buy new ships as against people who need to buy them but don't have the ship to buy. The defense picture is very much aided by having a large, new, and high-quality ship. I would hope we could give certain overall specifications. I will come to that. Then let the people design the ships within those overall specifications.

It seems to me in that way we will be in much better shape should we need an expanded program to reach into whichever drawer we need to.

The most efficient and modern vessels consistent with trade needs should be employed in the active fleet, with the overflow of less efficient or less suitable vessels retained in the reserve fleet. In a like manner, I am of the general view that vessels adequate for commercial operation or for national-defense purposes should not be scrapped or sold foreign, particularly tankers, until the reserve fleet is at the required strength and composition.

Rear Adm. R. E. Wilson, USN, set out to your committee on June 16 what was considered at that time by the Defense Department to be the initial military requirements for an active merchant fleet under United States registry. It may be pointed out that the Defense Department considers the total fleet, including both active and reserve fleet vessels, as being deficient only to a minor degree to meet initial mobilization requirements from a quantitative point of view. It is only from the standpoint of acceptable defense characteristics that the Defense Department, I believe, feels that there is a serious deficiency in the existing fleet.

In order to be prepared to meet feasibly, and within our economic capabilities, all-out emergencies and at the same time provide for a fleet only to the extent necessary for the real needs of our commerce

and reserve requirements, I would be inclined to favor as a part of the national-defense planning a small but carefully planned prototype program on a continuing basis carried out through industry-Government cooperation, whereby "lead" ships suitable for military and commercial purposes and incorporating latest improvements would be built.

What I mean there by the "lead" ships is that it seems to me we can establish broad, general specifications, speed, displacement, and so forth, and then within those overall requirements allow the private operator to build according to the need of his own trade route. Then, if we come to a point where we need to expand our fleet, we truly have operating experience on a number of ships, the plans for which have already been made. It seems to me at that time you really know which drawer to reach into. That forms one of your best bases of having some flexibility in the planning which you might want to make.

The development of a number of such prototypes, adequately tested under actual operating conditions, should permit the rapid expandability of the fleet in the types and vessel design required for emergencies with which we may be faced. I note that the Department of Defense also favored the construction of prototype vessels to serve as the basis for an emergency vessel-construction program upon the outbreak of war.

Mr. DREWRY. Has your department been working with the Department of Defense on the question of developing the prototypes?

Mr. MURRAY. Have we done very much on that?

Mr. CLARK. We have worked with them on the tanker, T–5, prototype. That is the latest work we have done. That program is not due in the fiscal year 1954.

Mr. DREWRY. Admiral Wilson, in his testimony, spoke of a number of prototypes, container-type ships, roll-on, roll-off vessels, tankers, and spoke of them as being commercial vessels. I believe in response to questioning he said it was contemplated the prototypes would be constructed by the Maritime Administration.

Such a program, of course, would have to be worked directly with you, would have to be worked with the interests of the trade involved, would have to be for a known trade, for instance. If there is no trade for the roll-on, roll-off, there would be no point in Maritime undertaking the construction of the ships.

Mr. MURRAY. It seems to me we need to more clearly decide the prime responsibility in here. There are a number of auxiliary naval vessels that are required. It seems to me, when they have no commercial value or no commercial appeal, they ought to be built by the Defense Department.

Senator POTTER. That is strictly a naval vessel?

Mr. MURRAY. Yes. They should be operated on that basis. On the other hand, when they have commercial possibilities and commercial appeal, No. 1, we ought to make sure by consultation about the commercial interest that they do have that appeal, and when they do, it seems to me, we then are justified in going ahead with a construction program for that type of vessel. That is going to be the policy of the Commerce Department, to work toward that goal.

Mr. DREWRY. Where a proposal, just to use the roll-on, roll-off again as an example, such as that is made by the Defense Department as being a desirable type of vessel for military use in time of

war, and there is not at the moment any commercial demand for such a vessel, what can the Commerce Department do in regard to surveying a prototype trade for the vessel, as well as aiding and designing the prototype vessel?

Mr. MURRAY. I would think that we would want to determine whether there were any commercial possibilities in that type of vessel, or whether any could be encouraged. Sometimes I think the trade, perhaps, does move somewhat behind schedule. I think we are going to find some use for the Mariner ships, for some of them, at least. But 5 or 6 months ago it was the pretty general feeling that nobody would want any of them. It may be that if there is no apparent use, we still have the job of seeing whether some commercial use could be promoted for these various types of ships. Again, if not, it does not seem to me that is a proper field for Maritime.

Senator POTTER. When you mention that you are finding some interest in the Mariners now, is that because private industry feels that the Government is constructing these ships, that we are either going to have to take the Mariners or there will be difficulty in getting any new ships at this time? Is it on that basis, or have they found that the military requirements for the ship of the class of the Mariner does have a use, has a value to them in commercial trade after further consideration?

Mr. MURRAY. Mr. Chairman, I think it is a combination of the two. I think on certain types of runs, for example, over long distances, there is a feeling that the Mariner is very well adapted because of its speed and carrying capacity for that kind of run. So I think that is just a normal, proper, and desirable use for the Mariner.

I think, also, there is some feeling that construction subsidies have had a pretty tough time this year, and that there are these Mariners that might be able to be adapted to other purposes, and that perhaps that is a better approach than waiting for another year to see what happens on the construction subsidy program. So, it is really a combination of the two. There is no widespread interest, but there is some.

Mr. DREWRY. The availability of the Mariners would not have had anything to do with the lack of construction funds this year?

Mr. MURRAY. Nothing whatsoever. I think I have testified before it was in the light of the directive saying that only essential construction be carried on this year that it was thought that the replacement of the 2 Grace and 2 Moore-McCormacks could be deferred, and did not come within the criteria that had been established for essentiality of new construction.

In order to help keep the greatest number of commercial vessels gainfully employed, I support the carriage of military cargoes by the privately owned fleet to the greatest extent possible. Operation of vessels by the MSTS should be held to a minimum, consistent with the ability of commercial vessels to move the traffic at reasonable rates and subject to any special or limiting military requirements.

Senator POTTER. Have you been required to submit a report on the Magnuson bill that was recently introduced?

Mr. MURRAY. Yes.

Senator POTTER. Do you recall what the Department of Commerce's position was on it?

Mr. MURRAY. Basically, what I have just outlined here. I think we all feel we do not need legislation for that purpose, but as a matter of policy, if we are going to have a strong merchant marine, we need to limit our own governmental operations to the greatest possible extent.

Mr. DREWRY. How do you feel that is being achieved at the present time, Mr. Murray?

Mr. MURRAY. My feeling at the moment is that we are doing pretty well on that basis. I think there is always room for improvement on anything. I think it is the kind of thing that we all have to take a constant interest in.

Senator POTTER. You realize there are people who would dispute that?

Mr. MURRAY. I have not heard too much of that in recent months. I have heard some rumors, and I have checked. Usually I have found there has been something wrong with the rumor. I have been in very close touch with the Under Secretary of the Navy, who is extremely sympathetic to this point of view. We have been working along pretty well. If there are instances, I would like to hear about them. I know the National Shipping Administration is keeping in pretty close touch. They are very sympathetic to the point of view I have just outlined. I think I would hear pretty fast if there were any departures from what would appear to be a very good working program.

Senator POTTER. Are you familiar with the so-called nucleus fleet that MSTS contemplates as a permanent part of their fleet?

Mr. MURRAY. I have heard about it.

Senator POTTER. Has that received study by your people as to the desirability of that nucleus fleet, or whether it is too large or too small?

Mr. MURRAY. We are in no position to comment on that, Senator. I think our main responsibility in here is to work as hard as we can to make sure that within the Government, itself, everyone is kept aware of the potentiality of our private fleet, and that it is used to the greatest possible extent. I just could not feel more strongly about that. Within our own field of responsibility, we are doing everything we can to see that happen.

Senator POTTER. You do not feel that there may be conditions whereby, even with the so-called nucleus fleet, that might tend to encroach upon private commercial operation?

Mr. MURRAY. Senator, you well know my basic political philosophy, which is that I think the Federal Government is doing an awful lot of things today that it should not be doing. I think we ought to get it out of every field where it does not belong. I do not know enough about this particular fleet to know its proper position in this whole picture. But, as you know, we are trying to get the Commerce Department out of everything we feel we should not be in. I think we can get some other governmental unit back near to the people to take that on. You are probably asking that question of a very prejudiced witness on that score.

Senator POTTER. I asked to get your advice, and I did.

Mr. MURRAY. Assuming that the foregoing considerations are desirable in determining the size and composition of our future merchant marine, we will inevitably be faced with the problem of

disposing of certain vessels clearly unsuitable for United States commercial or national-defense requirements, consistent with our maritime objectives and economic conditions in the industry. In meeting this problem, it may be that such vessels should be sold in the world market, or scrapped if they cannot be sold at a higher figure. This could provide funds—not in any great amount—to assist in the construction of prototypes capable of early construction in cases of emergency. Such unsuitable vessels should not be maintained in the reserve fleet as a financial burden on the Government.

Mr. DREWRY. You say the scrapping of those vessels would provide funds for the construction of new vessels. Under present law, could you apply any funds received?

Mr. MURRAY. No, we cannot. It comes back into the Government. It represents a net gain in the overall picture.

Mr. DREWRY. That brings up a question in my mind as to what the future policy of the department might be with regard to reestablishment of the construction fund, the revolving fund, which is presently authorized under the 1936 act. I believe in the past 2 years the Appropriations Committees have insisted on an annual appropriation.

There are, I understand, projected a couple of proposals for the sale of vessels to other nationals for strictly coastwise or domestic use. It would seem to me the availability of those funds, or funds from the scrapping of unsuitable vessels in the reserve fleet, would allow the department more flexibility in proceeding with its construction subsidy programs than the present system of depending solely on annual appropriations without even authorization for finishing work beyond that which can be done in 1 year.

Mr. MURRAY. Of course, as you know so much better than I, the public relations aspect of the merchant marine is one of the problems that I think should be of serious concern to all of us. The interest in the merchant marine is pretty generally tied to the seaboard and Great Lakes area. Even in those areas there are a great many misconceptions about the merchant marine. That is one reason, as you know, why I have been anxious to see if we could do something about private financing in here and get it spread around the country, to get boards of directors of banks in the middle part of the country who are worrying about their investments, to cause them to take some interest in the merchant marine. That is another reason why I am not anxious to build in the Maritime Administration vessels that are not suitable for commercial purposes. It builds up the amount of money that you require in your budget for your merchant marine. As you know, it is pretty hard to get it under any circumstances. It seems to me we need to show the best possible net position we can, as far as the cost of the merchant marine is concerned.

Any funds that we might get back could be netted against expenditures from the Maritime Administration for the construction of ships, which would just help that picture by that much.

Mr. DREWRY. That is what I had in mind, because you spoke of the fact that the money would be going into the Treasury, and that it would be the same thing. But apparently it would not be the same thing, because over the recent years, the operations of the Maritime Administration have produced a tremendous amount of return to the

Government which has gone into miscellaneous receipts, and nobody is ever given any credit for the use of that.

Mr. MURRAY. If we would sell a Mariner ship, the funds from that Mariner, just as we build a ship for any private operator, the repayment goes into the miscellaneous receipts of the Treasury; do they not?

Mr. CLARK. Yes.

Mr. MURRAY. So, for example, on this Mariner program, which is roughly $350 million, if we were to sell all the ships, it would still be the conception in the minds of the people that we had given something away to the extent of $350 million, because you never get the true net cost of a program.

Of course, anything that could be done to help that would just help the public relations factor. We built the *United States*, the *Constitution*, and the *Independence*. The unsubsidized portion is paid for over a 20-year period, but that goes back to the Treasury. We never get it back. We may get the ships back, but we do not get the money back.

Mr. DREWRY. Would it be possible, in face of your present personnel difficulties, to supply some information for the record on receipts from sale of vessels and charter of vessels in the course of——

Mr. CLARK. It is very possible. We have that available.

Mr. DREWRY. I think it would be appropriate right at this point in the record.

Senator POTTER. Without objection, it will be made a part of the record at this point.

(The material referred to is as follows:)

*Receipts by the former Maritime Commission and the present Maritime Administration on the sale and charter of Government-owned vessels July 1, 1946, to June 30, 1953*

| | Number of vessels | Amount |
|---|---|---|
| Receipts on ship sales under authority of— | | |
| Merchant Marine Acts of 1920 and 1936 | 527 | $72,902,841.82 |
| Merchant Ship Sales Act of 1946 | 1,956 | 1,410,086,139.34 |
| Total receipts on ship sales | 2,483 | 1,482,988,981.16 |
| Interest earned on ship sales mortgages | | 86,438,762.79 |
| Charter-hire receipts | | 511,451,129.02 |
| Total receipts | | 2,080,878,872.97 |

Mr. DREWRY. Mr. Murray, what do you think of the proposal that has been advanced from 1 or 2 quarters that the national defense allowances come out of the military appropriations instead of Commerce appropriations?

Mr. MURRAY. I honestly do not know at this time what I think of that. That is still part and parcel of what I have been talking about, getting the true net cost of what it costs you to maintain a merchant marine.

From that standpoint, it is very attractive. We have had no consultations with the Navy on that. Until I have time to talk to them about it—I have a personal feeling on the situation, but I just have not been into it far enough to know how it would work out as a practical matter.

If it were to work out, that would bring your net cost down to really your true cost of your merchant marine. It may be possible to continue it on the way we are doing it now, with a breakdown in the appropriation itself, so it would be clearly known how much money we were spending on the merchant marine itself for commercial purposes, which is what I would like to do. Then you get an entirely different picture and an entirely different concept. I do not know if this would be practical or not.

I would rather withhold my answer on that until I have had a chance to talk to the Navy Department.

Mr. DREWRY. Admiral Wilson mentioned it would be purely a matter of bookkeeping, but I do not believe the subject was developed any further than that.

Mr. MURRAY. In the Commerce Department, we are in a peculiar spot of doing an awful lot of work for other departments on our budget. We are all so budget conscious that that is reasonably undesirable. We build access roads for the Department of Defense at locations which they pick out and choose and establish the priority for, but we ask for the money.

Our roads through the public parks come under the Interior Department, and they ask for the money there and turn that over to the Bureau of Public Roads for the construction. But through the forest land, which comes under the Department of Agriculture, they tell us we are to build the roads, and we come down and ask for the money, except that we do not do that through certain Government lands in Oklahoma, where they come down and ask for the money and give it to us. It is a very confused kind of picture, and one that I think, at some point, might need to be cleared up on an overall basis, and establish where the primary interest was in all of these different assignments we take on.

Senator POTTER. I was interested, and certainly agree with, your statement about public relations. I can think of no industry that needs better public relations than the maritime industry. I do not think it is anyone's fault, particularly. I think it has been overlooked to a great extent. We hope, during the course of our hearings, to broaden the base of our testimony to include people who, in the past, have not appeared before the congressional committees studying the maritime problem.

In the past, we have always had the same people, Government agencies, the maritime industry, maritime labor, and that has been it. We hope this time to bring in some shippers. We have several organizations who have expressed interest in the merchant marine, but their advice has never been sought. We do not expect them to give testimony as to details of the merchant marine, but we would like to have the benefit of their thinking as to the necessity of foreign commerce.

I am thinking now of organizations such as the National Chamber of Commerce. The new president of the national chamber has expressed a great interest in the merchant marine. I think many of our veterans' organizations have always been interested in the merchant marine on a defense standpoint. I think it probably would be well for us to get the benefit of their views, not from a technical angle, but from the overall policy of giving us their views as to the essentiality of a stronger merchant marine.

Mr. MURRAY. I think these hearings can be very helpful and valuable, especially if the information is disseminated on a fairly wide basis. Even people who are very sympathetic to the merchant marine usually think of it from purely the defense point of view, without realizing what a terribly competitive position we might let ourselves into in getting our goods, say, from the Middle West, the area that really is not too interested in the merchant marine, abroad if we were completely at the mercy of the rates of foreign shippers, completely apart from the defense activity.

Senator POTTER. I always think of Great Britain. I think certainly one of the greatest incentives that the British Empire had in developing prestige during the zenith of her power and influence was when her merchant marine was the strongest, when she had a British flag in every port. I think it ties in directly with the prestige that we have throughout the world by having American ships with American cargo going to these various foreign ports.

In my previous testimony before your committee, I indicated that the Department had initiated an overall evaluation of our merchant-marine policy. It is from our study thus far that we have arrived at the basic considerations I have just enumerated. In addition, and as a part of this study, the Maritime Administration has developed current information on size, composition, quality, and employment of the American merchant fleet. I have asked Mr. Earl Clark, Deputy Administrator, Maritime Administration, to prepare a statement containing this data, together with relevent graphic material.

I would like to say the Administration has worked extremely hard on this. I am delighted to have Mr. Clark do this, because he has been the sparkplug behind it. I think you will detect, from the enthusiastic way in which he goes about this, that he thinks a good job has been done. I think it is quite proper that he should be the one to present this information. I think it is probably more fully documented than any information which has been prepared for some time. Although it does not go into any final recommendations, it does give a fundamental count as to where we are, so that any road we go down, we will go down knowing where we come from.

Mr. DREWRY. One more question, which is related to your activities. In this regard, you are a business organization and supposed to do business in a businesslike way. You have a pretty large backlog of operating subsidies which are due and payable, and more coming up all the time. One of the complaints that has been registered against the maritime activity in the past has been the slowness with which contracting procedure has been carried out. Can you tell me what effect this recent cut of some $800,000 from your organization will have upon your activities in the coming year?

Mr. MURRAY. I am glad you asked that question. There is something much more serious than that involved in the subsidy situation. We got out $63 million in payments during this fiscal year. It had been slow. It had been terribly slow and, as you know, we had a backlog as far back as 7 years. But due to Mr. Clark's activity and his staff up at the Maritime Administration, starting about a year and one-half ago, by fantastic efforts they have managed to do a terrific job. Whatever criticism there was before, I think should not hit the Maritime Administration now, because we have really gotten that backlog down. They have gotten it down by payments of

$63 million for this year, and as we cross from 1 fiscal year to the other, there is no reserve of any more for subsidy payments.

Some of those funds had been carried over from previous years. But that is now absolutely exhausted.

Feeling that we could do as good a job next year as we did this year, we requested, as you know, $65 million in operating subsidies. That was cut to $25 million by the House, and to $20 million by the Senate. I checked this morning before I came down here. We have vouchers now ready for payment of $16½ million, of which we have $20 million to pay. So that we are going to be exhausted probably by the middle of August.

Senator POTTER. That means that the operators with whom the Government has a contract will just have to hold the bag until funds are made available?

Mr. MURRAY. As the Secretary said, we owe people money, and we like to pay the money. I think we will probably desire to come back almost immediately and bring that to the attention of the committee on that, because we do not want to get to a point where our funds are exhausted before the Congress gets back.

Senator POTTER. As a businessman, Mr. Murray, do you feel, as I, that when the Government enters into a contract with an American citizen or anyone else, the Government should maintain the validity of that contract—if the contract should be changed, that is another problem—but as long as a contract has been entered into, the Government, if we are going to maintain the respect of people toward Government contracts, that the Government has an obligation, not only a financial obligation as to the transaction, but a moral obligation to carry out the provisions of that contract?

Mr. MURRAY. I think so. I know I would certainly like to, if I were on the other side, feel I was going to be paid when my bills were due.

This, incidentally, is on vouchers only up to the middle of March, with a few exceptions that go back even beyond that point. So that we do have this rather serious situation. Toward the end of the fiscal year, as a matter of fact, we have run into a situation whereby, as a result of the work between the General Accounting Office, the Department of Justice and ourselves, it has been determined that no funds will be withheld from the United States Lines in excess of $8,600,000. That represents a departure from the way the situation had been up to that point.

Senator POTTER. Formerly they had held all——

Mr. MURRAY. Yes. That has been resolved. So it meant that there were funds due and owing to the United States Lines, but when we came to the fiscal year, if we had any money, we could have paid it out right away, but we came to the end of the fiscal year without such funds to make the proper combination which had been agreed upon. So we were only able to pay them through this fiscal year that amount of money we still had in the kitty. So they now have an additional amount of money due and owing them, which, of course, until the Congress acts upon the appropriation bill, we will not be able to pay.

The remainder of that is in the $16½ million that we have now due and ready to pay. So I think, Mr. Drewry, the Maritime Administration has ironed out all of its previous difficulties in the way of

payments. I know this man has aged very fast in the last 2 years trying to get that done. Now I think he is even getting bald, which is an unsatisfactory predicament in which to find oneself.

Mr. DREWRY. I do not have that situation in mind so much, Mr. Murray, as I do the fact that either the failure of the Administration to process its contracts and obligations thereunder, as has happened in the past, or the failure of the Congress to appropriate such funds for you to operate and carry out your administrative activities, will have a serious hamstringing and certainly a most unbusinesslike effect on your activities and create considerably less than great enthusiasm for this private financing which you are interested in.

Mr. MURRAY. I was anxious to get in that gratuitous observation. On the second point, we sent up to the Congress—I would like to answer it this way—a budget which we had been over very carefully and which I must say we worked on with as much enthusiasm as any group of economy-minded people would work on it. The budget that we sent up was the budget we felt was the figure that we required in all departments this year. Anything that the Congress does to it after that is something we will have to live with. Does that answer the question?

Mr. DREWRY. I think so.

Senator POTTER. It is an obligation the Government has. The Government is going to have to pay this money. It is not economy in any sense of the word.

I assume if the House figure was $25 million and the Senate $20 million, the most you can expect out of a conference is the $25 million, and maybe less, so that will mean you will run out of funds by the middle of August, you say?

Mr. MURRAY. Yes.

Senator POTTER. Do you anticipate requesting funds through a supplemental appropriation?

Mr. MURRAY. Yes; we will have to do that. This feeling of the slowness of payment, I think, has been somewhat responsible for the cut in our request because it has been very slow in the past, and I think there was some feeling that it was not possible for us to get out the payments of the $65 million. Perhaps it was based partly on that, and again this complete apathy on the part of the merchant marine. So we have arrived at a situation where during this year the Maritime Administration has done a terrific job in getting the payments out. Now that the thing is rolling, we think that we can pay even more than the $65 million. We are going to be obviously forced to go back for a supplemental appropriation.

Senator POTTER. Are you in a position to tell us anything as it relates to your efforts to secure private financing? Are you finding any likely prospects?

Mr. MURRAY. Yes. I think we are proceeding just about as far as you can proceed when you have nothing to proceed on. There are no funds set up for construction subsidies this year, no authorizations to do so. So we are really talking in a vacuum on the thing.

Again, you really have to wait pretty much until you are ready to do the financing, because of the condition of the money market at that particular time. It is tighter now than previously. But those things go up and down. I think we are at least getting together the proper framework for use at the proper time.

As you know, I think that will be one thing that will help to cure the apathy in which the merchant marine seems to revolve.

Senator POTTER. I presume the quicker we have a firm Government policy, so that they will know what the Government's position will be, as far as the construction program and the subsidy program, the quicker you will be in a much better position to sell private financing?

Mr. MURRAY. That is right.

Senator POTTER. I was wondering if the people you have talked with have had any suggestions. It would seem to me there would be two major points. One is the length of the loan, and the other is the rate of interest. Do you think it would be a 20-year loan?

Mr. MURRAY. Yes.

Senator POTTER. That would be a 20-year loan at the rate of interest that you anticipate?

Mr. MURRAY. I think that from our conversations, so far as we can see, we are going to need a joint effort. The banks are interested in short-term loans at this point, and the insurance companies are interested in the longer terms. I think we will find ourselves operating as a partnership between the two, with the banks picking up the first 5 years, perhaps, and the insurance companies the last 15. That is what we are talking about.

The rates of interest would have to be a current rate of interest, depending upon the money market. The main item of conversation that we run into with the banks and the insurance companies is usually the observation: Are they buying a lawsuit when they do this? There does not seem to be an atmosphere of assurance that a contract which is signed is necessarily going to have the proper term of longevity.

Senator POTTER. I would think that would have to be settled before you could do much.

Mr. MURRAY. No bank or insurance company is going to lend money on the basis of a construction job with the rules laid down, only to find out later that there may be a change in the rules or a change in interpretation or even, perhaps, a little hindsight involved due to what may have been not the best decision made at the time, but what appeared to be. As an old banker, I can tell you that bankers are funny about that sort of business.

Senator POTTER. Thank you, Mr. Murray, for your time out of a busy day to give us the benefit of your views.

Mr. MURRAY. Do you want me to stay?

Senator POTTER. It is entirely up to you. Mr. Clark will present the rest of the case.

Mr. MURRAY. If you have no further questions, I would like to be excused.

Senator POTTER. Certainly.

## STATEMENT OF EARL W. CLARK, DEPUTY MARITIME ADMINISTRATOR

Mr. CLARK. Mr. Chairman, I would like to introduce Mr. Thomas E. Stakem, my assistant, who will work here with the charts. He is a special assistant to the Deputy Administrator.

Mr. Chairman, if it is in order, I would like personally, at the beginning of my testimony, to pay tribute to the chairman and his

committee for the very excellent way that this problem is being attacked.

Senator POTTER. Thank you kindly. I know of no politician that would refuse a word of flattery. I could show you in my office many words that come to me which are not so flattering.

Mr. CLARK. May I compliment also Mr. Drewry.

Senator POTTER. He is the man who deserves the credit.

Mr. CLARK. I am afraid, Mr. Chairman, the presentation I have here is not going to be a particularly glamorous one because it embodies a great deal of rather hard statistics and computations which the Maritime Administration and the Department of Commerce would like to offer for the record.

It is our feeling, and I hope the committee will share that feeling, that one of the important things in a hearing of this kind is to place underneath it a basic groundwork with as accurate material as possibly can be secured.

Mr. Drewry and your staff have worked with us in the format. Therefore, I will proceed with what may, at times, appear to be a rather statistical approach.

In 1937, just after the passage of the Merchant Marine Act, 1936, the total United States flag fleet consisted of 1,428 ships of 11,758,000 dead-weight tons. On April 20, 1953, the merchant fleet was made up of 3,348 units of 36,198,000 dead-weight tons. One quick look at these figures would indicate that progress has been made, but it is an unmistakable fact that despite its size, our fleet has many weaknesses, considering that more than one-half of all the ships in the fleet today are classified as "poor" in quality. An even larger percentage has already passed the midpoint of its economic life. A breakdown of our fleet, as of April 30, 1953, by types, is as follows:

This is the composition of the United States fleet, 1,000 gross tons and over.

Senator POTTER. You do not deal in the notional type of measurement?

Mr. CLARK. No, sir. The presentation, Mr. Chairman, that is here, is the actual figure.

| | Private | | Maritime Administration | |
|---|---|---|---|---|
| | Ships | Dead-weight tons | Ships | Dead-weight tons |
| Combination passenger and cargo | 42 | 333,900 | 215 | 1,705,300 |
| Freighters | 722 | 7,507,800 | 1,859 | 19,103,200 |
| Bulk carriers | 51 | 635,400 | | |
| Tankers | 444 | 6,841,000 | 15 | 71,500 |
| Total | 1,259 | 15,318,100 | 2,089 | 20,880,000 |

*Total fleet*

| | Ships | Dead-weight tons |
|---|---|---|
| Combination passenger and cargo | 257 | 2,039,200 |
| Freighters | 2,581 | 26,611,000 |
| Bulk carriers | 51 | 635,400 |
| Tankers | 459 | 6,912,500 |
| Total | 3,348 | 36,198,100 |

NOTE.—Excludes (*a*) cable ships, ice breakers, ferries, etc.; (*b*) Great Lakes and inland waterways ships; and (*c*) Army and Navy ships.

Senator POTTER. Is the 1,705,300 your laidup fleet?

Mr. CLARK. This is the laidup fleet, plus some ships that are out on charter.

If I may turn to the quality of the fleet which has just been depicted to you in quantity of ships and deadweight tonnage, we have classified our ships into four denominations:

Excellent—New, large, fast, efficient ships embodying the most modern ship design and construction features.

Good—Long-range type ships built after the passage of the 1936 act embodying modern construction practices existing at the time they were built.

Fair—Ships built after the passage of the 1936 act with characteristics somewhat inferior to "good" quality ships or of smaller size and limited usefulness.

Poor—Ships less than 20 years old of inferior design characteristics, including World War II emergency construction and other ships of slow speed and small capacity.

Overage and obsolete—Ships built prior to 1933, and certain other ships of obsolete design.

Senator POTTER. Overage and/or 20?

Mr. CLARK. Yes. When we throw those ships against that background, we find the following situation, which describes where we are today with respect to a modern merchant marine.

PRIVATELY OWNED

| | |
|---|---|
| Total ships | 1,259 |
| Excellent | 23 |
| Good | 798 |
| Fair | 112 |
| Poor | 255 |
| Overage and obsolete | 71 |

MARITIME ADMINISTRATION OWNED

| | |
|---|---|
| Total ships | 2,089 |
| Excellent | 10 |
| Good | 143 |
| Fair | 372 |
| Poor | 1,536 |
| Overage and obsolete | 28 |

TOTAL FLEET (MARITIME ADMINISTRATION AND PRIVATE)

| | |
|---|---|
| Total ships | 3,348 |
| Excellent | 33 |
| Good | 941 |
| Fair | 484 |
| Poor | 1,791 |
| Overage and obsolete | 99 |

Senator POTTER. This "10" figure represents mariners?

Mr. CLARK. Yes, sir; that are operating now on the high seas.

Senator POTTER. The "1,536" represents mostly Liberties?

Mr. CLARK. Yes, sir; most of them.

Mr. DREWRY. You speak of condition. Do I understand you to mean that is their physical condition or in terms of general quality, including efficiency—I mean, a new ship could be in perfect condition

as far as that was concerned, and still not have been of a quality that was desirable to have?

Mr. CLARK. None of the ships in this presentation are of that type. We have classified all of the new ships as excellent. In other words, this breakdown is in accordance with the definitions which I have read into the record. We have defined each particular category in which we have grouped these.

You are quite right, Mr. Drewry, that that situation might remain. I think the classification here follows very closely the design of the descriptions we have listed.

Senator POTTER. In your statement, do you have just the age of the ships?

Mr. CLARK. Yes. I will present a complete chart showing the age of the ship, when it was built, and when it will come of age.

From these figures, it will be noted that of the entire fleet, Maritime Administration and privately owned, only 1 percent of the ships are classed as excellent and an additional 28 percent classed as good, 15 percent are fair, 53 percent are poor, and 3 percent are overage and obsolete.

It will also be noted that of the Maritime Administration-owned fleet, 73 percent are classified poor in quality.

Senator POTTER. There will not be many years before this type of ship classified as poor will drop down to overage and obsolete?

Mr. CLARK. Mr. Chairman, that unhappy situation is approaching faster than we desire it.

With respect to privately owned ships, our records show that out of the 1,259 only 2 percent of this private fleet can be classed as excellent, 63 percent as good, 9 percent as fair, 20 percent as poor, and 6 percent as overage or obsolete.

The above data deals only with oceangoing ships of 1,000 gross tons and over. It does not include (*a*) Great Lakes vessels numbering about 386, the majority of which are overage; (*b*) vessels used on the inland waterways; (*c*) special-type vessels, such as cable ships and tugs; (*d*) vessels owned by other Government agencies, such as Army, Navy, and so forth.

At present most of the ships classed poor are inactive, the majority being owned by the Maritime Administration and maintained in the reserve fleet. It is from this reserve that withdrawals must be made when bulges in traffic occur that are beyond the carrying capacity of the American privately owned fleet.

I have brought with me a series of charts which portray the quality of the fleet. There are seven charts, showing the total fleet, active and inactive, the combination ships, the freighters, and the tanker fleet in these categories. Chart 7 shows the quality of the active seagoing fleet in the foreign and domestic trade. Each of these charts depicts the privately owned fleet, the Maritime Administration owned, and a combined total of the two.

You may wish to have these charts reproduced and inserted in the record at this point.

Senator POTTER. Without objection, the charts will be made a part of the record at this point.

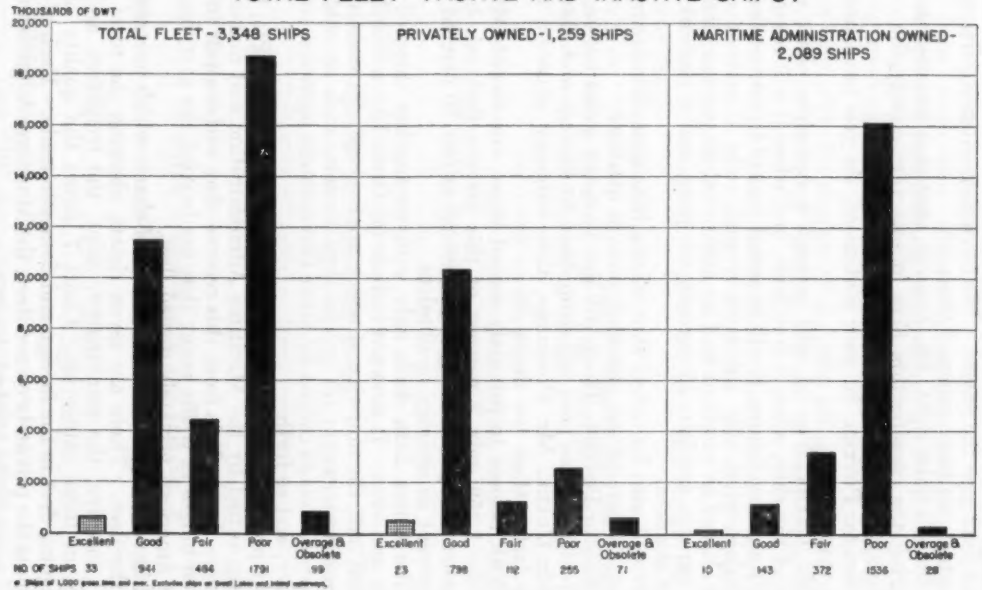
(The charts referred to are as follows:)

U. S. DEPARTMENT OF COMMERCE – MARITIME ADMINISTRATION Chart 1

## QUALITY OF UNITED STATES FLAG SEAGOING MERCHANT FLEET – AS OF APRIL 30, 1953*

PRIVATELY OWNED AND MARITIME ADMINISTRATION OWNED SHIPS – NUMBER AND DEADWEIGHT TONS

### TOTAL FLEET (ACTIVE AND INACTIVE SHIPS)



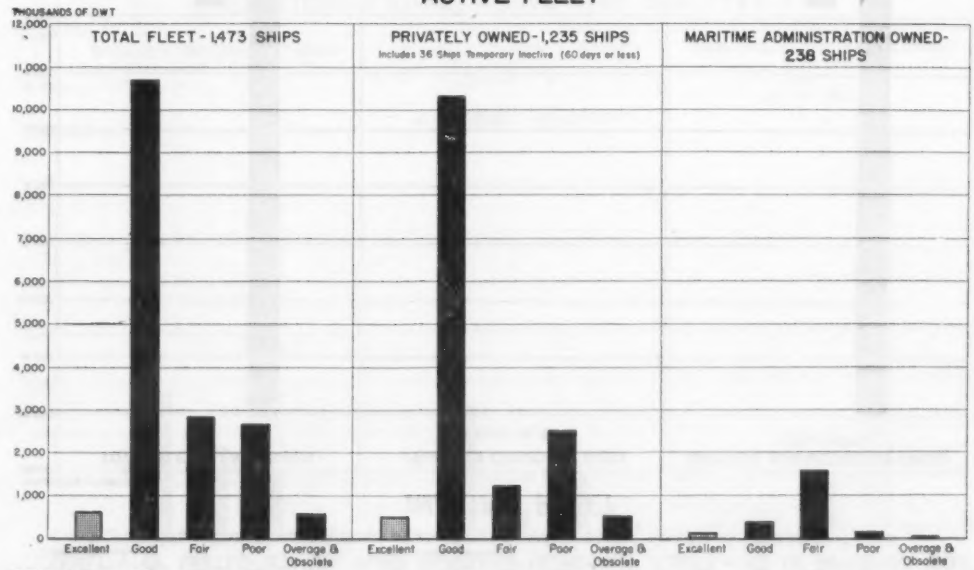

* Ships of 1,000 gross tons and over. Excludes ships on Great Lakes and inland waterways.

U.S. DEPARTMENT OF COMMERCE – MARITIME ADMINISTRATION Chart 2

# QUALITY OF UNITED STATES FLAG SEAGOING MERCHANT FLEET – AS OF APRIL 30, 1953*

PRIVATELY OWNED AND MARITIME ADMINISTRATION OWNED SHIPS - NUMBER AND DEADWEIGHT TONS

## ACTIVE FLEET



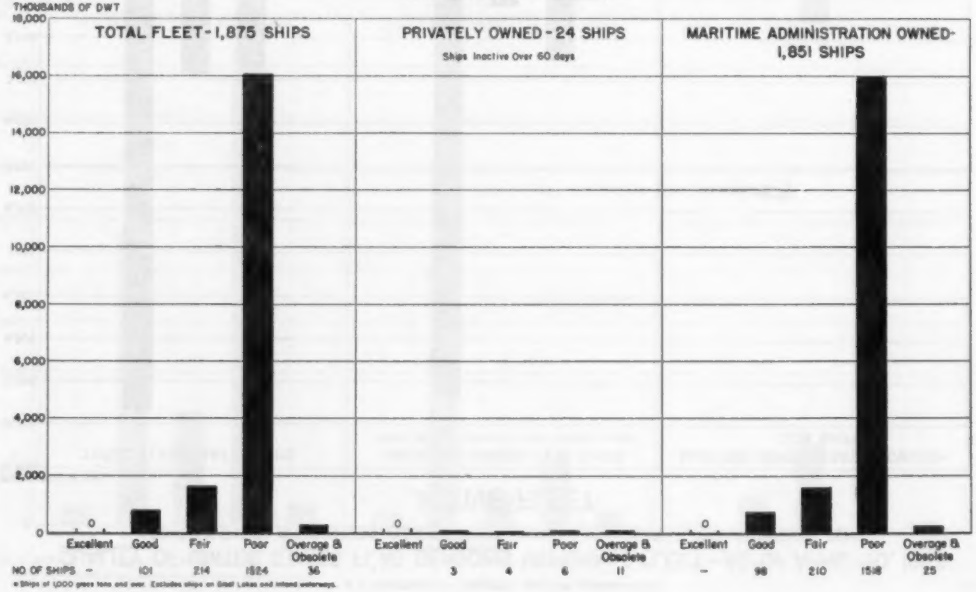

* Ships of 1,000 gross tons and over, excludes ships on Great Lakes and inland waterways

U. S. DEPARTMENT OF COMMERCE—MARITIME ADMINISTRATION Chart 3

# QUALITY OF UNITED STATES FLAG SEAGOING MERCHANT FLEET – AS OF APRIL 30, 1953*

PRIVATELY OWNED AND MARITIME ADMINISTRATION OWNED SHIPS – NUMBER AND DEADWEIGHT TONS

## INACTIVE FLEET



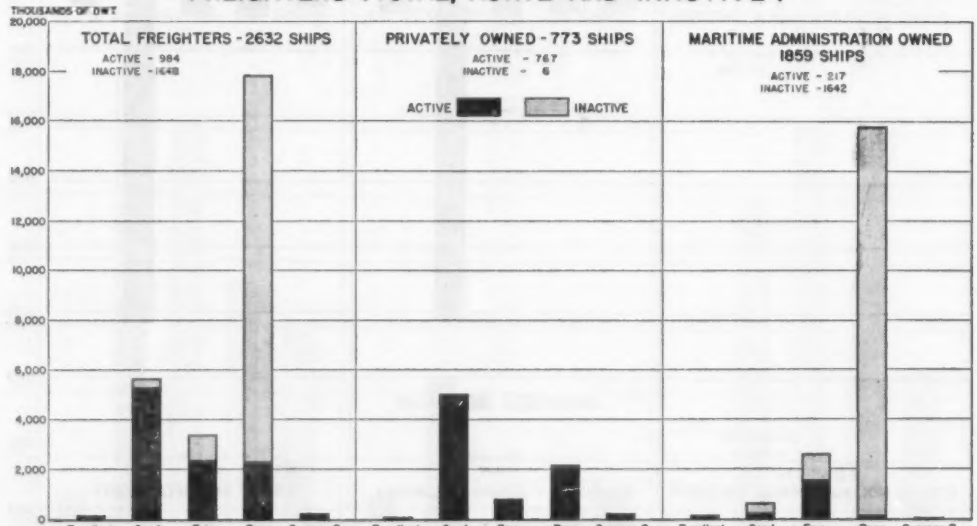

* Ships of 1,000 gross tons and over. Excludes ships on Great Lakes and inland waterways.

U. S. DEPARTMENT OF COMMERCE – MARITIME ADMINISTRATION Chart 4

# QUALITY OF UNITED STATES FLAG SEAGOING MERCHANT FLEET – AS OF APRIL 30, 1953*

PRIVATELY OWNED AND MARITIME ADMINISTRATION OWNED SHIPS – NUMBER AND DEADWEIGHT TONS

## FREIGHTERS (TOTAL, ACTIVE AND INACTIVE)




| | Excellent | Good | Fair | Poor | Overage & Obsolete | Excellent | Good | Fair | Poor | Overage & Obsolete | Excellent | Good | Fair | Poor | Overage & Obsolete |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| NO. OF SHIPS.. | 12 | 534 | 342 | 1693 | 31 | 2 | 484 | 75 | 204 | 28 | 10 | 70 | 267 | 1489 | 3 |
| ACTIVE | 12 | 494 | 333 | 219 | 24 | 2 | 484 | 73 | 204 | 24 | 10 | 30 | 162 | 15 | – |
| INACTIVE | – | 40 | 127 | 1474 | 7 | – | – | 2 | – | 4 | – | 40 | 125 | 1474 | 3 |

* Ships of 1,000 gross tons and over. Excludes ships on Great Lakes and inland waterways.

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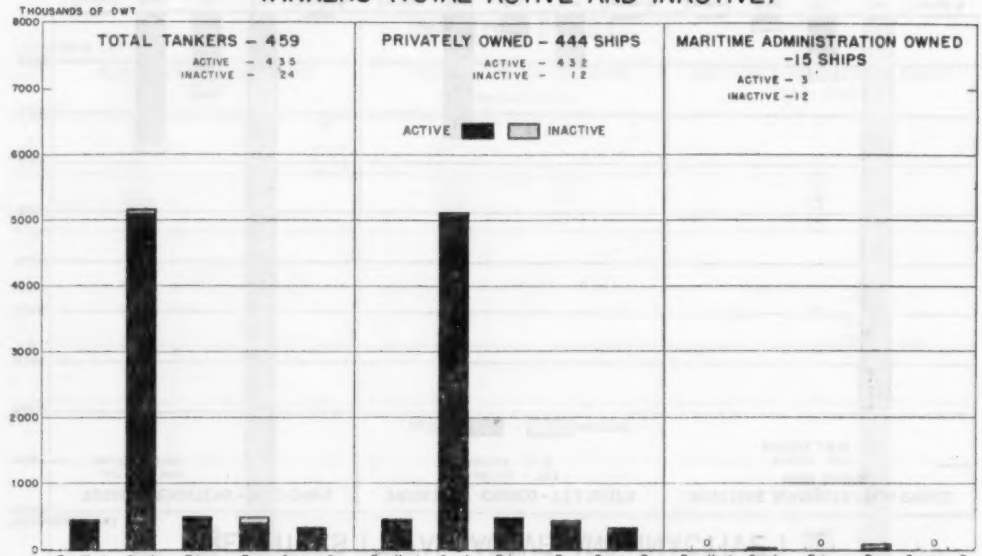
U. S. DEPARTMENT OF COMMERCE - MARITIME ADMINISTRATION Chart 5

## QUALITY OF UNITED STATES FLAG SEAGOING MERCHANT FLEET - AS OF APRIL 30, 1953*

PRIVATELY OWNED AND MARITIME ADMINISTRATION OWNED SHIPS - NUMBER AND DEADWEIGHT TONS

### TANKERS (TOTAL ACTIVE AND INACTIVE)




| | Excellent | Good | Fair | Poor | Overage & Obsolete | Excellent | Good | Fair | Poor | Overage & Obsolete | Excellent | Good | Fair | Poor | Overage & Obsolete |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| NO. OF SHIPS | 18 | 312 | 37 | 64 | 28 | 18 | 310 | 37 | 51 | 28 | - | 2 | - | 13 | - |
| ACTIVE | 18 | 307 | 35 | 40 | 27 | 18 | 307 | 35 | 45 | 27 | - | - | - | 3 | - |
| INACTIVE | - | 5 | 2 | 18 | 1 | - | 3 | 2 | 6 | 1 | - | 2 | - | 10 | - |

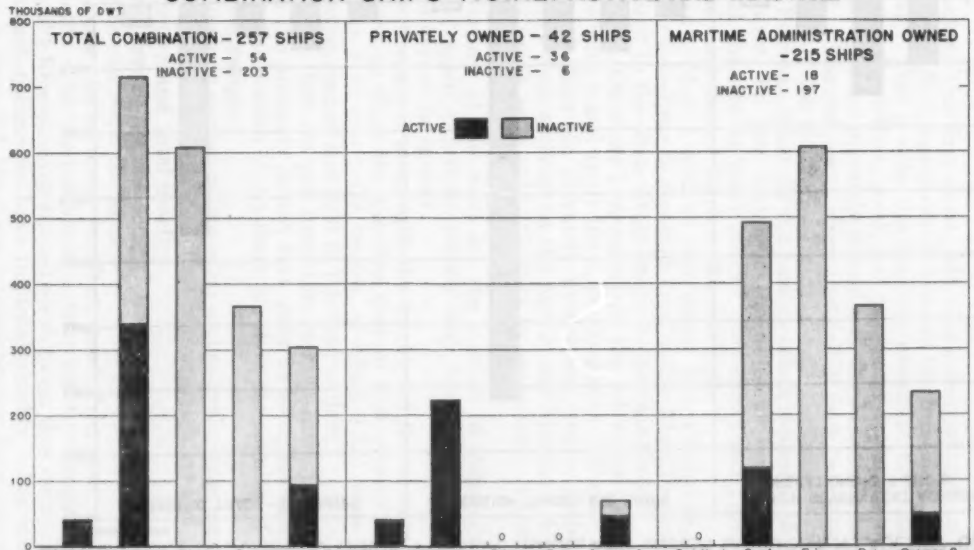
* Ships of 1000 gross tons and over. Excludes ships on Great Lakes and inland waterways

U.S. DEPARTMENT OF COMMERCE - MARITIME ADMINISTRATION Chart 6

# QUALITY OF UNITED STATES FLAG SEAGOING MERCHANT FLEET - AS OF APRIL 30, 1953*

PRIVATELY OWNED AND MARITIME ADMINISTRATION OWNED SHIPS - NUMBER AND DEADWEIGHT TONS

## COMBINATION SHIPS (TOTAL, ACTIVE AND INACTIVE)




| | Excellent | Good | Fair | Poor | Overage & Obsolete | Excellent | Good | Fair | Poor | Overage & Obsolete | Excellent | Good | Fair | Poor | Overage & Obsolete |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| NO. OF SHIPS | 3 | 95 | 85 | 34 | 40 | 3 | 24 | – | – | 15 | – | 71 | 85 | 34 | 25 |
| Active | 3 | 33 | – | – | 12 | 3 | 24 | – | – | 9 | – | 18 | – | – | 3 |
| Inactive | – | 56 | 85 | 34 | 28 | – | – | – | – | 6 | – | 56 | 85 | 34 | 22 |

a Ships of 1,000 gross tons and over. Excludes ships on Great Lakes and inland waterways.

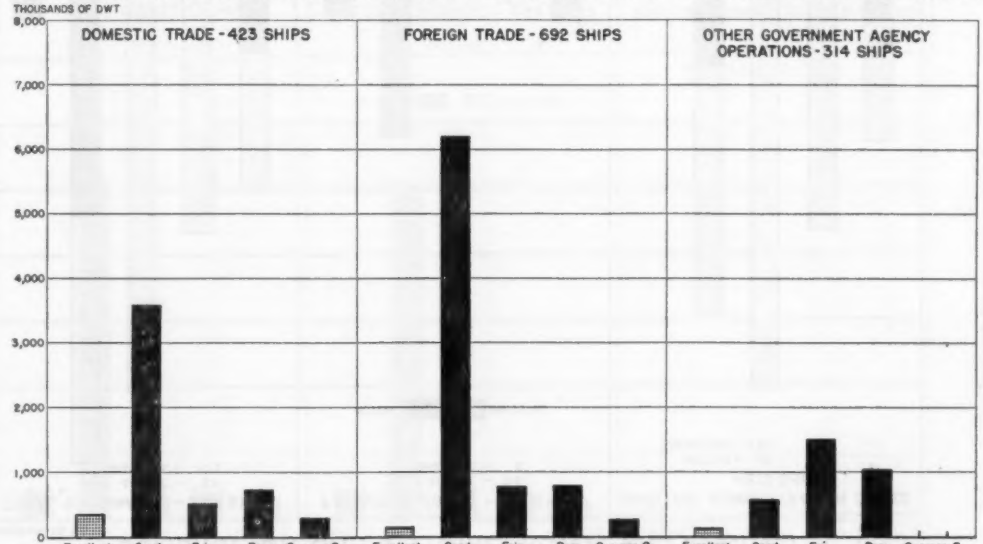
U.S. DEPARTMENT OF COMMERCE - MARITIME ADMINISTRATION

Chart 7

# QUALITY OF UNITED STATES FLAG SEAGOING MERCHANT FLEET - AS OF APRIL 30, 1953*

PRIVATELY OWNED AND MARITIME ADMINISTRATION OWNED SHIPS - NUMBER AND DEADWEIGHT TONS

## ACTIVE FLEET IN DOMESTIC TRADE, FOREIGN TRADE, AND OTHER GOVERNMENT AGENCY OPERATIONS




| | Domestic Trade | | | | | Foreign Trade | | | | | Other Government Agency Operations | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Excellent | Good | Fair | Poor | Overage & Obsolete | Excellent | Good | Fair | Poor | Overage & Obsolete | Excellent | Good | Fair | Poor | Overage & Obsolete |
| NO. OF SHIPS | 15 | 246 | 49 | 77 | 36 | 7 | 515 | 71 | 76 | 23 | 10 | 56 | 148 | 100 | 0 |

| | Domestic Trade | | Foreign Trade | | Other Government Agency Operations | |
|---|---|---|---|---|---|---|
| | SHIPS | DWT | SHIPS | DWT | SHIPS | DWT |
| TOTAL | 423 | 5,457,000 | 692 | 8,184,000 | 314 | 3,251,000 |
| PRIVATELY OWNED | 411 | 5,380,000 | 669 | 7,971,000 | 119 | 1,395,000 |
| MARITIME ADMINISTRATION | 12 | 78,000 | 23 | 213,000 | 195 | 1,856,000 |

* Ships of 1000 gross tons and over. Excludes ships on Great Lakes and inland waterways

Mr. CLARK. Mr. Stakem will discuss these charts.

## STATEMENT OF THOMAS E. STAKEM, SPECIAL ASSISTANT TO THE DEPUTY MARITIME ADMINISTRATOR

Mr. STAKEM. This first chart, Mr. Chairman, applies to the categories that Mr. Clark has given and shows the total fleet, both active and inactive. This is only the seagoing merchant fleet, and applies the categories of excellent, good, fair, poor, and overage and obsolete. It is divided into the privately owned and the Maritime Administration owned. The number of ships that fall in each category is shown at the bottom of the chart.

Senator POTTER. What do the various colors represent there?

Mr. STAKEM. To just highlight the different items. Of course, overage and obsolete we mark black. Red shows poor; green is fair; blue is good; and shaded black is the excellent.

Mr. CLARK. May I add at this point, Mr. Chairman, that the question you asked me is depicted here in the Maritime-owned fleet and compared to the same situation in the private fleet.

Mr. STAKEM. On chart 2 we take just the active fleet and separate the inactive from it and apply the same categories. We see, of course, that the good ships are privately owned and are in active service. We show very little activity on the part of the Maritime Administration at that point, with only 238 ships in operation. All of this is as of April 30, 1953.

At the bottom of the chart are the number of ships again in the active fleet, again privately owned and Maritime Administration owned in different categories.

In chart 3, again dealing with the quality of the oceangoing fleet, it is prepared to show the inactive fleet at this present time. The total inactive fleet was 1,875 vessels, of which 1,851 were Maritime Administration owned and held in the reserve fleet.

The picture that we get from this is very little inactivity as of April 30 in the privately owned fleet, only 24 being inactive.

Again, at the bottom of the chart, we show the number of ships that fall into each category.

Chart 4 is again pegged as to quality and as to the seagoing merchant fleet as of April 30, 1953. This chart is your freighters and gives both the total active and total inactive.

Senator POTTER. Let me see if I understand your columns there. The columns represent the same——

Mr. STAKEM. As in three, excellent, good, fair, poor, and overage and obsolete. The shaded black is your inactive freighters on this date, with the blue showing the active ships on that date.

Then in each column we have the total number. For instance, on this date you have 217 Maritime Administration freighters that were active against the 1,642 which were inactive.

Mr. DREWRY. What does "inactive" mean? In the case of a privately owned vessel, what would its status be in order to be inactive?

Mr. STAKEM. If it is inactive for 60 days, Mr. Drewry, it is tagged in our statistical study as being inactive. If it is temporarily down for just a few days, it is not pegged as an inactive ship.

This particular chart shows that we only had six inactive freighters as of April 30 in the privately owned fleet.

Chart 5 takes the tankers and shows the total active and inactive, with the blue representing active, the shaded black representing inactive, and again into total privately owned and Maritime owned.

Senator POTTER. You find the tankers in better condition than the freighters?

Mr. STAKEM. Yes; and you find very little Government activity in the tankers, with the Maritime Administration owning just 15 ships, 12 inactive on that date. Of the 15 Maritime owned, 2 were good and 13 in the poor category.

Chart 6 is your combination ships, total active and inactive, again pegged as to quality and as to the privately owned and Maritime Administration owned, as of April 30, 1953.

It will be noted that we have 257 combination ships. Of that, 215 are owned by the Maritime Administration, 42 privately owned. Most of the privately owned are active, with only a few overage and obsolete combination ships in private hands that are inactive on that date.

Of course, the major portion of the combination ships are in the Maritime reserve fleet, 197 of them being inactive as of April 30, 1953.

Senator POTTER. It is interesting there to find that those are in good shape.

Mr. STAKEM. There are 18 active, and 15 of those 18 Maritime ships are in the good class, and 3 are active ships of the over age and obsolete classification.

Senator POTTER. As to your privately owned, you have how many ships?

Mr. STAKEM. Forty-two privately owned ships. Of that, we have 36 active and only 6 that are inactive. Those 6 that are inactive are over age and obsolete.

Senator POTTER. In other words, there are no privately owned inactive combination ships?

Mr. STAKEM. Yes; six. All of the privately owned combination ships are either excellent, good, or over age and obsolete, with none in the fair and poor classification.

Chart 7 is intended to take the same fleet. This shows the quality of the seagoing merchant fleet as of April 30, Maritime owned as well as privately owned, dividing it as to the domestic trade, the foreign trade, and other Government operations, again applying the quality factor with the number of ships that fall in each category.

Here, in the totals at the bottom of the chart, we have the number of ships and dead-weight tonnage that fall into the Maritime Administration and privately owned that are in this trade.

Senator POTTER. What is your graduation on the side?

Mr. STAKEM. This is in thousands of dead-weight tons. It is intended to show that factor with respect to the number of ships being put in the respective places on the chart.

Mr. CLARK. Mr. Chairman, for your consideration, I am submitting a schedule on the size, composition, and quality of the United States-flag merchant fleet as of April 30, 1953. This schedule is broken down to show—

(*a*) The total fleet, the privately owned fleet, and the Maritime-owned fleet;

(*b*) The active and inactive ships; and

(*c*) The employment of the active ships as between foreign trade, domestic trade, and other United States Government operations. This is a background for these charts, and I offer that for the record at this point.

Senator POTTER. It will be included in the record at this point.

(The material referred to is as follows:)

## SCHEDULE I

*Size, composition, and quality [1] of United States flag merchant fleet as of Apr. 30, 1953 [2]*

[Tonnage in thousands]

TOTAL MA OWNED AND PRIVATELY OWNED

| | Grand total, active and inactive | | | Active ships | | | | | | | | | | | | | | Inactive ships | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Total (includes temporarily inactive) | | | Foreign trade (includes foreign-to-foreign) | | | Domestic trade (includes non-contiguous) | | | Other Government agency operations | | | Temporarily inactive | | | | | |
| | Number | Gross | Dead-weight tons | Number | Gross | Dead-weight tons | Number | Gross | Dead-weight tons | Number | Gross | Dead-weight tons | Number | Gross | Dead-weight tons | Number | Gross | Dead-weight tons | Number | Gross | Dead-weight tons |
| Grand total | 3,348 | 25,167 | 36,198 | 1,473 | 11,915 | 17,445 | 692 | 5,703 | 8,184 | 423 | 3,499 | 5,457 | 314 | 2,355 | 3,251 | 44 | 358 | 552 | 1,875 | 13,250 | 18,751 |
| Combination (passenger and cargo) | 257 | 2,332 | 2,039 | 54 | 669 | 477 | 40 | 489 | 378 | 3 | 27 | 17 | 10 | 146 | 78 | 1 | 7 | 4 | 203 | 1,662 | 1,561 |
| Freighters | 2,632 | 18,522 | 27,246 | 984 | 7,058 | 10,248 | 495 | 3,634 | 5,255 | 171 | 1,128 | 1,691 | 301 | 2,200 | 3,161 | 17 | 96 | 141 | 1,648 | 11,462 | 16,996 |
| Tankers | 459 | 4,311 | 6,912 | 435 | 4,186 | 6,718 | 157 | 1,579 | 2,550 | 249 | 2,343 | 3,749 | 3 | 9 | 12 | 26 | 254 | 406 | 24 | 125 | 193 |
| Excellent quality | 33 | 500 | 649 | 33 | 500 | 649 | 7 | 172 | 152 | 15 | 218 | 339 | 10 | 92 | 131 | 1 | 17 | 26 | | | |
| Combination (passenger and cargo) | 3 | 100 | 40 | 3 | 100 | 40 | 3 | 100 | 40 | | | | | | | | | | | | |
| Freighters | 12 | 108 | 155 | 12 | 108 | 155 | | | | 2 | 16 | 24 | 10 | 92 | 131 | | | | | | |
| Tankers | 18 | 290 | 453 | 18 | 290 | 453 | 4 | 72 | 112 | 13 | 201 | 314 | | | | 1 | 17 | 26 | | | |
| Good quality | 941 | 8,028 | 11,506 | 840 | 7,221 | 10,698 | 515 | 4,243 | 6,191 | 246 | 2,267 | 3,594 | 56 | 494 | 569 | 23 | 215 | 343 | 101 | 806 | 808 |
| Combination (passengers and cargo) | 95 | 935 | 717 | 39 | 436 | 340 | 29 | 289 | 262 | | | | 10 | 146 | 78 | | | | 56 | 499 | 376 |
| Freighters | 534 | 3,904 | 5,631 | 494 | 3,642 | 5,275 | 365 | 2,703 | 3,897 | 79 | 565 | 852 | 46 | 348 | 490 | 4 | 24 | 35 | 40 | 262 | 354 |
| Tankers | 312 | 3,188 | 5,158 | 307 | 3,143 | 5,081 | 121 | 1,250 | 2,031 | 167 | 1,702 | 2,742 | | | | 19 | 190 | 307 | 5 | 45 | 77 |
| Fair quality | 484 | 3,349 | 4,462 | 270 | 1,946 | 2,819 | 71 | 527 | 767 | 49 | 336 | 513 | 148 | 1,069 | 1,516 | 2 | 12 | 19 | 214 | 1,402 | 1,642 |
| Combination (passengers and cargo) | 85 | 662 | 609 | | | | | | | | | | | | | | | | 85 | 662 | 609 |
| Freighters | 362 | 2,390 | 3,372 | 235 | 1,662 | 2,355 | 60 | 437 | 620 | 26 | 151 | 211 | 148 | 1,069 | 1,516 | 1 | 3 | 5 | 127 | 728 | 1,016 |
| Tankers | 37 | 296 | 481 | 35 | 284 | 464 | 11 | 89 | 147 | 23 | 185 | 301 | | | | 1 | 9 | 14 | 2 | 12 | 17 |
| Poor quality | 1,791 | 12,542 | 18,725 | 267 | 1,801 | 2,679 | 76 | 534 | 797 | 77 | 484 | 727 | 100 | 698 | 1,033 | 14 | 82 | 121 | 1,524 | 10,741 | 16,045 |
| Combination (passengers and cargo) | 34 | 242 | 366 | | | | | | | | | | | | | | | | 34 | 242 | 366 |

| | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Freighters | 1,693 | 11,964 | 17,867 | 219 | 1,525 | 2,275 | 62 | 438 | 654 | 48 | 330 | 499 | 97 | 689 | 1,021 | 12 | 67 | 100 | 1,474 | 10,438 | 15,591 | |
| Tankers | 64 | 334 | 492 | 48 | 274 | 404 | 14 | 96 | 143 | 29 | 154 | 228 | 3 | 9 | 12 | 2 | 14 | 21 | 16 | 60 | 87 | |
| Overage and obsolete | 99 | 743 | 849 | 63 | 444 | 595 | 23 | 223 | 273 | 36 | 192 | 282 | ---- | ---- | ---- | 4 | 29 | 40 | 36 | 298 | 252 | |
| Combination (passengers and cargo) | 40 | 392 | 304 | 12 | 133 | 94 | 8 | 98 | 73 | 3 | 27 | 17 | ---- | ---- | ---- | 1 | 7 | 4 | 28 | 259 | 208 | |
| Freighters | 31 | 151 | 219 | 24 | 119 | 185 | 8 | 55 | 82 | 16 | 64 | 102 | ---- | ---- | ---- | | | | 7 | 32 | 33 | |
| Tankers | 28 | 199 | 326 | 27 | 192 | 315 | 7 | 69 | 117 | 17 | 100 | 162 | ---- | ---- | ---- | 3 | 22 | 35 | 1 | 7 | 11 | |

PRIVATELY OWNED

| | | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Grand total | 1,259 | 10,252 | 15,318 | 1,235 | 10,089 | 15,119 | 669 | 5,472 | 7,971 | 411 | 3,442 | 5,380 | 119 | 871 | 1,295 | 36 | 303 | 472 | 24 | 161 | ---- | |
| Combination (passenger and cargo) | 42 | 447 | 333 | 36 | 402 | 310 | 32 | 367 | 288 | 3 | 27 | 17 | | | | 1 | 7 | 4 | 6 | 45 | ---- | |
| Freighters | 773 | 5,540 | 8,143 | 767 | 5,510 | 8,103 | 480 | 3,525 | 5,132 | 159 | 1,071 | 1,614 | 119 | 871 | 1,295 | 9 | 42 | 62 | 6 | 29 | ---- | |
| Tankers | 444 | 4,264 | 6,841 | 432 | 4,177 | 6,706 | 157 | 1,579 | 2,550 | 249 | 2,343 | 3,749 | ---- | ---- | ---- | 26 | 254 | 406 | 12 | 87 | ---- | |
| Excellent quality | 23 | 408 | 518 | 23 | 408 | 518 | 7 | 172 | 152 | 15 | 218 | 339 | ---- | ---- | ---- | 1 | 17 | 26 | ---- | ---- | ---- | |
| Combination (passenger and cargo) | 3 | 100 | 40 | 3 | 100 | 40 | 3 | 100 | 40 | | | | ---- | ---- | ---- | | | | ---- | ---- | ---- | |
| Freighters | 2 | 16 | 24 | 2 | 16 | 24 | | | | 2 | 16 | 24 | ---- | ---- | ---- | | | | ---- | ---- | ---- | |
| Tankers | 18 | 290 | 453 | 18 | 290 | 453 | 4 | 72 | 112 | 13 | 201 | 314 | ---- | ---- | ---- | 1 | 17 | 26 | ---- | ---- | ---- | |
| Good quality | 798 | 6,815 | 10,357 | 795 | 6,784 | 10,305 | 501 | 4,109 | 6,076 | 246 | 2,267 | 3,594 | 25 | 192 | 291 | 23 | 215 | 343 | 3 | 31 | ---- | |
| Combination (passenger and cargo) | 24 | 229 | 222 | 24 | 229 | 222 | 24 | 229 | 222 | | | | | | | | | | | | ---- | |
| Freighters | 464 | 3,411 | 5,002 | 464 | 3,411 | 5,001 | 356 | 2,628 | 3,822 | 79 | 565 | 852 | 25 | 192 | 291 | 4 | 24 | 36 | | | ---- | |
| Tankers | 310 | 3,174 | 5,133 | 307 | 3,143 | 5,081 | 121 | 1,250 | 2,031 | 167 | 1,702 | 2,742 | ---- | ---- | ---- | 19 | 190 | 307 | 3 | 31 | ---- | |
| Fair quality | 112 | 843 | 1,259 | 108 | 820 | 1,226 | 65 | 493 | 719 | 37 | 279 | 437 | 5 | 38 | 54 | 1 | 9 | 14 | 4 | 23 | ---- | |
| Combination (passenger and cargo) | | | | | | | | | | | | | | | | | | | 2 | 11 | ---- | |
| Freighters | 75 | 547 | 778 | 73 | 536 | 762 | 54 | 403 | 572 | 14 | 94 | 135 | 5 | 38 | 54 | | | | 2 | 12 | ---- | |
| Tankers | 37 | 296 | 481 | 35 | 284 | 464 | 11 | 89 | 147 | 23 | 185 | 301 | ---- | ---- | ---- | 1 | 9 | 14 | | | ---- | |
| Poor quality | 255 | 1,730 | 2,576 | 249 | 1,693 | 2,522 | 76 | 534 | 797 | 77 | 484 | 727 | 89 | 641 | 950 | 7 | 32 | 47 | 6 | 37 | ---- | |
| Combination (passenger and cargo) | | | | | | | | | | | | | | | | | | | | | ---- | |
| Freighters | 204 | 1,427 | 2,130 | 204 | 1,427 | 2,130 | 62 | 438 | 654 | 48 | 330 | 499 | 89 | 641 | 950 | 5 | 17 | 26 | | | ---- | |
| Tankers | 51 | 302 | 446 | 45 | 265 | 392 | 14 | 96 | 143 | 29 | 154 | 228 | ---- | ---- | ---- | 2 | 14 | 21 | 6 | 37 | ---- | |
| Overage and obsolete | 71 | 454 | 604 | 60 | 383 | 547 | 20 | 162 | 225 | 36 | 192 | 282 | ---- | ---- | ---- | 4 | 29 | 40 | 11 | 70 | ---- | |
| Combination (passenger and cargo) | 15 | 117 | 70 | 9 | 72 | 46 | 5 | 37 | 25 | 3 | 27 | 17 | ---- | ---- | ---- | 1 | 7 | 4 | 6 | 45 | ---- | |
| Freighters | 28 | 137 | 208 | 24 | 119 | 185 | 8 | 55 | 82 | 16 | 64 | 102 | ---- | ---- | ---- | | | | 4 | 18 | ---- | |
| Tankers | 28 | 199 | 326 | 27 | 192 | 315 | 7 | 69 | 117 | 17 | 100 | 162 | ---- | ---- | ---- | 3 | 22 | 35 | 1 | 7 | ---- | |

**See footnotes at end of table.**

SCHEDULE I—Continued

*Size, composition, and quality [1] of United States flag merchant fleet as of Apr. 30, 1953 [2]*—Continued

[Tonnage in thousands]

MARITIME ADMINISTRATION OWNED

| | Grand total, active and inactive | | | Active ships | | | | | | | | | | | | | | | Inactive ships | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Total (includes temporarily inactive) | | | Foreign trade (includes foreign-to-foreign) | | | Domestic trade (includes non-contiguous) | | | Other Government agency operations | | | Temporarily inactive | | | | | |
| | Number | Gross | Dead-weight tons | Number | Gross | Dead-weight tons | Number | Gross | Dead-weight tons | Number | Gross | Dead-weight tons | Number | Gross | Dead-weight tons | Number | Gross | Dead-weight tons | Number | Gross | Dead-weight tons |
| Grand total | 2,089 | 14,914 | 20,880 | 238 | 1,825 | 2,325 | 23 | 230 | 213 | 12 | 57 | 76 | 195 | 1,483 | 1,936 | 8 | 54 | 79 | 1,851 | 13,088 | 18,554 |
| Combination (passenger and cargo) | 215 | 1,885 | 1,705 | 18 | 267 | 167 | 8 | 121 | 89 | | | | 10 | 146 | 78 | | | | 197 | 1,617 | 1,537 |
| Freighters | 1,859 | 12,982 | 19,103 | 217 | 1,548 | 2,144 | 15 | 108 | 123 | 12 | 57 | 76 | 182 | 1,328 | 1,865 | 8 | 54 | 79 | 1,642 | 11,433 | 16,957 |
| Tankers | 15 | 47 | 71 | 3 | 9 | 12 | | | | | | | 3 | 9 | 12 | | | | 12 | 37 | 58 |
| Excellent quality | 10 | 92 | 131 | 10 | 92 | 131 | | | | | | | 10 | 92 | 131 | | | | | | |
| Combination (passenger and cargo) | | | | | | | | | | | | | | | | | | | | | |
| Freighters | | | | | | | | | | | | | | | | | | | | | |
| Tankers | 10 | 92 | 131 | 10 | 92 | 131 | | | | | | | 10 | 92 | 131 | | | | | | |
| Good quality | 143 | 1,213 | 1,149 | 45 | 437 | 393 | 14 | 134 | 115 | | | | 31 | 302 | 278 | | | | 98 | 775 | 756 |
| Combination (passenger and cargo) | 71 | 705 | 495 | 15 | 206 | 118 | 5 | 60 | 40 | | | | 10 | 146 | 78 | | | | 56 | 499 | 376 |
| Freighters | 70 | 493 | 628 | 30 | 231 | 274 | 9 | 74 | 75 | | | | 21 | 156 | 199 | | | | 40 | 262 | 354 |
| Tankers | 2 | 14 | 25 | | | | | | | | | | | | | | | | 2 | 14 | 25 |
| Fair quality | 372 | 2,506 | 3,203 | 162 | 1,126 | 1,593 | 6 | 34 | 48 | 12 | 57 | 76 | 143 | 1,031 | 1,462 | 1 | 3 | 5 | 210 | 1,379 | 1,609 |
| Combination (passenger and cargo) | 85 | 662 | 609 | | | | | | | | | | | | | | | | 85 | 662 | 609 |
| Freighters | 287 | 1,843 | 2,594 | 162 | 1,126 | 1,593 | 6 | 34 | 48 | 12 | 57 | 76 | 143 | 1,031 | 1,462 | 1 | 3 | 5 | 125 | 717 | 1,000 |
| Tankers | | | | | | | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Poor quality | 1,536 | 10,812 | 16,149 | 18 | 108 | 157 | | | | | | | 11 | 57 | 83 | 7 | 50 | 74 | 1,518 | 10,704 | 15,991 |
| Combination (passenger and cargo) | 34 | 242 | 366 | | | | | | | | | | | | | | | | 34 | 242 | 366 |
| Freighters | 1,489 | 10,537 | 15,737 | 15 | 98 | 145 | | | | | | | 8 | 48 | 71 | 7 | 50 | 74 | 1,474 | 10,438 | 15,591 |
| Tankers | 13 | 32 | 46 | 3 | 9 | 12 | | | | | | | 3 | 9 | 12 | | | | 10 | 23 | 33 |
| Overage and obsolete | 28 | 289 | 245 | 3 | 61 | 48 | 3 | 61 | 48 | | | | | | | | | | 25 | 228 | 196 |
| Combination (passenger and cargo) | 25 | 275 | 234 | 3 | 61 | 48 | 3 | 61 | 48 | | | | | | | | | | 22 | 214 | 185 |
| Freighters | 3 | 14 | 11 | | | | | | | | | | | | | | | | 3 | 14 | 11 |
| Tankers | | | | | | | | | | | | | | | | | | | | | |

[1] For definitions of quality factors and ships of each design type included in the 5 quality groups see p. 4.
[2] Vessels of 1,000 gross tons and over. Excludes United States flag merchant ships on the Great Lakes. Also excludes vessels on the inland waterways, special type vessels such as cable ships and tugs, and all U. S. Government-owned vessels (Army, Navy, etc.) except those owned by Maritime Administration.

NOTE.—Tonnage figures are not necessarily additive since the detailed figures have been rounded to the nearest thousand.

Source: Maritime Administration records, Division of Ship Statistics.

The general definitions used in distinguishing the quality factors applicable to combination ships, freighters and tankers, and the ships of each design type that are included in the five quality groups, are as follows:

EXCELLENT QUALITY

New, large, fast, efficient ships embodying the most modern ship design and construction features.

Combination ships:
- Steamship *Constitution*
- Steamship *Independence*
- Steamship *United States*

Freighters:
- 2 Seatrain ships built in 1951
- 10 Mariner-type ships (25 others under construction)

Tankers:
- 14 supertankers and large tankers built, 1948–53 (27 others under construction)

GOOD QUALITY

Long-range-type ships built after the passage of 1936 Merchant Marine Act that embodied modern construction practices at the time they were built.

Combination ships:
- 3 Alcoa S. S. Co.
- Steamship *America*
- 4 American Export Line ships
- 2 American President Lines' ships
- 2 Farrell Line ships
- 9 Grace Line
- 3 Mississippi Shipping Co. ships
- 3 Panama Canal Company.
- Steamship *President Cleveland*
- Steamship *President Wilson*
- Also C1, C2, C4, P1, P2 type ships (troop transports, transport attack, and hospital ships)

Freighters:
- C1, C2, C3, C4 type dry-cargo ships
- R1, R2, and C2 type refrigerated ships
- Z–EC, Z–ET, and EC–AW1 colliers
- C5 and other special ore carriers
- C1–MT lumber carriers
- Seatrain ships built in 1940
- 2 foreign construction after January 1, 1939

Tankers:
- T2 and T3 type ships
- Large tankers built, 1939–46
- Special-purpose ships

FAIR QUALITY

Ships built after the passage of 1936 Merchant Marine Act, with characteristics somewhat inferior to "good" quality ships, or of smaller size and limited usefulness.

Combination ships:
- *LaGuardia*
- VC2 troop transports

Freighters:
- VC2, C1–M–AV, and R1–M–AV ships
- Three foreign construction built in 1939

Tankers:
- Fairly small and slow ships built, 1937–41
- Experimental coastal tanker

POOR QUALITY

Ships less than 20 years old with inferior design characteristics, representing World War II emergency construction, and including ships of slow speed and small capacity.

Combination ships: EC2 troop transports, transport attack, hospital ships

Freighters:
- EC2 and N3 type ships
- Seatrains
- Converted LST's

Tankers:
- T1 and Z–ET1 type ships
- Small and slow ships built, 1934–36
- Converted LST

OVERAGE AND OBSOLETE

Ships built prior to 1933; also some ships built in 1933 and subsequently that are now obsolete.

Combination ships: Ships built in 1933 and prior years

Freighters:
- Dry-cargo ships built prior to 1933
- Ships built, 1933–44, now obsolete
- Seatrains

Tankers:
- Ships built prior to 1933
- Ships built, 1933–38, now obsolete

Mr. CLARK. Age of the seagoing fleet: The present United States merchant fleet is the product of the tremendous ship-construction program during World War II. On June 30, 1946, the United States fleet consisted of 4,861 ships of 50,389,000 deadweight tons which was more than one-half of the entire world tonnage. On April 30, 1953, our fleet consisted of 3,348 ships of 36,198,000 deadweight tons.

To illustrate the age of the present United States merchant fleet, a series of four charts have been prepared showing by years the age of the vessels which comprise the merchant fleet. These charts further illustrate the construction problem which will be facing the United States shipping industry if we wait until vessels become 20 years old before they are replaced. For example, in the short space of 3 years, 918 ships in the privately owned United States fleet, or 73 percent of the entire privately owned fleet, will become 20 years old. These charts have been arranged to show the total fleet of privately and Government-owned vessels and are also arranged by types of ships, (1) combination, (2) freighters, (3) tankers. Your committee may wish to insert these charts in the record at this point. I present them at this time.

Senator POTTER. They will be made a part of the record.

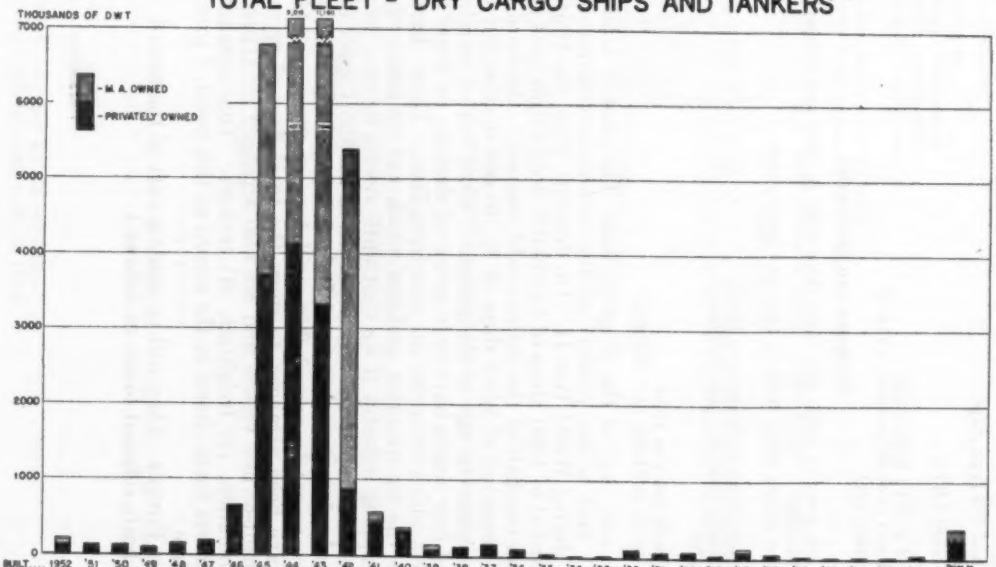
(The charts referred to are as follows:)

U.S. DEPARTMENT OF COMMERCE - MARITIME ADMINISTRATION Chart 8

# AGE OF UNITED STATES FLAG SEAGOING MERCHANT FLEET - AS OF DECEMBER 31, 1952

PRIVATELY OWNED AND MARITIME ADMINISTRATION OWNED SHIPS - NUMBER, DEADWEIGHT TONS AND YEAR BUILT

## TOTAL FLEET - DRY CARGO SHIPS AND TANKERS *




| YEAR BUILT | 1952 | '51 | '50 | '49 | '48 | '47 | '46 | '45 | '44 | '43 | '42 | '41 | '40 | '39 | '38 | '37 | '36 | '35 | '34 | '33 | '32 | '31 | '30 | '29 | '28 | '27 | '26 | '25 | '24 | '23 | '22 | Prior to 1922 | TOTAL FLEET |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| AGE, YEARS (As of Dec. 31, 1952) | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | | |
| NO. OF SHIPS | 11 | 7 | 6 | 3 | 10 | 20 | 37 | 569 | 650 | 1009 | 493 | 51 | 30 | 13 | 6 | 10 | 6 | 3 | 1 | 3 | 15 | 7 | 5 | 4 | 7 | 3 | 3 | 1 | 1 | 4 | 3 | 66 | 1465 |
| Privately Owned | 5 | 6 | 6 | 3 | 9 | 19 | 37 | 308 | 346 | 268 | 70 | 38 | 28 | 6 | 6 | 10 | 6 | 3 | 1 | 3 | 15 | 7 | 5 | 4 | 7 | 3 | 3 | 1 | 1 | 4 | 3 | 66 | 1259 |
| M. A. Owned | 6 | 1 | - | - | 1 | 1 | - | 261 | 304 | 741 | 423 | 13 | 2 | 7 | - | - | - | - | - | - | 1 | 2 | - | 1 | 3 | 6 | - | 1 | - | - | - | 17 | 206 |

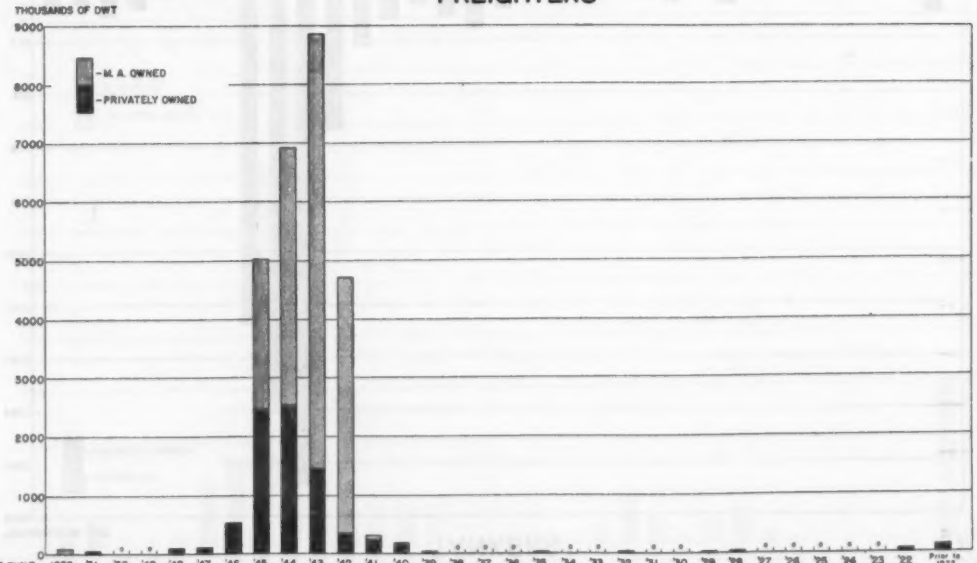
* Seagoing ships of 1,000 gross tons and over in foreign and domestic trade. (Excludes ships on Great Lakes and inland waterways)

U. S. DEPARTMENT OF COMMERCE - MARITIME ADMINISTRATION Chart 9

# AGE OF UNITED STATES FLAG SEAGOING MERCHANT FLEET - AS OF DECEMBER 31, 1952

PRIVATELY OWNED AND MARITIME ADMINISTRATION OWNED SHIPS - NUMBER, DEADWEIGHT TONS AND YEAR BUILT

## FREIGHTERS*




| YEAR BUILT | 1952 | '51 | '50 | '49 | '48 | '47 | '46 | '45 | '44 | '43 | '42 | '41 | '40 | '39 | '38 | '37 | '36 | '35 | '34 | '33 | '32 | '31 | '30 | '29 | '28 | '27 | '26 | '25 | '24 | '23 | '22 | Prior to 1922 | TOTAL SHIPS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| AGE, YEARS (As of Dec. 31, 1952) | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | | |
| NO. OF SHIPS | 8 | 3 | - | - | 7 | 12 | 46 | 323 | 857 | 826 | 466 | 31 | 18 | 6 | - | - | - | 1 | - | - | 8 | - | - | 1 | 1 | - | - | - | - | - | 6 | 22 | 1,631 |
| Privately Owned | - | 2 | - | - | 7 | 12 | 46 | 238 | 143 | 135 | 26 | 23 | 18 | 6 | - | - | - | 1 | - | - | 8 | - | - | 1 | 1 | - | - | - | - | - | 6 | 21 | 716 |
| M. A. Owned | 8 | 1 | - | - | - | - | - | 299 | 424 | 703 | 408 | 8 | 2 | 2 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 1 | 1,853 |

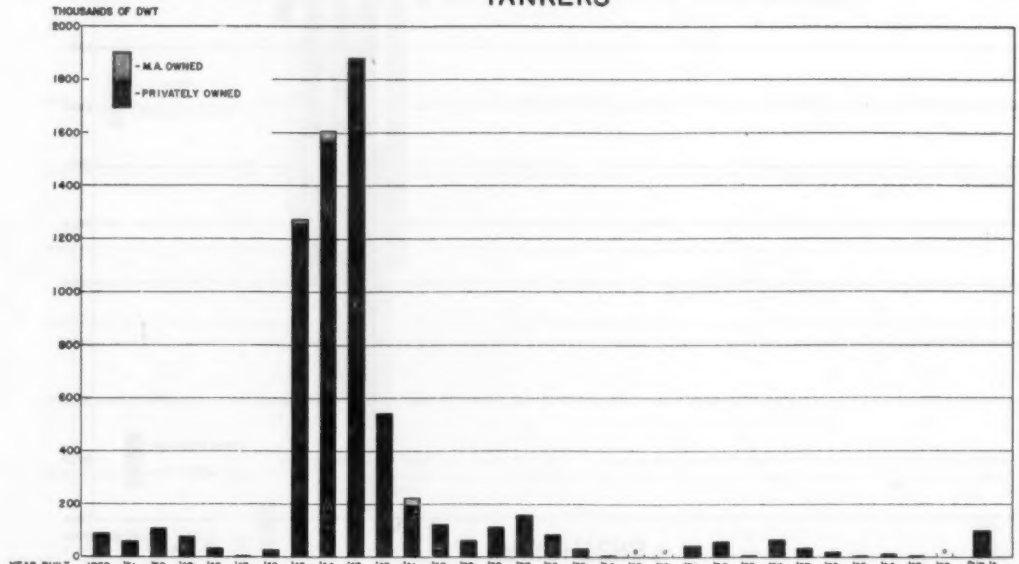
* Seagoing ships of 1,000 gross tons and over in foreign and domestic trade. (Excludes ships on Great Lakes and inland waterways)

U.S. DEPARTMENT OF COMMERCE - MARITIME ADMINISTRATION Chart 10

# AGE OF UNITED STATES FLAG SEAGOING MERCHANT FLEET - AS OF DECEMBER 31, 1952

PRIVATELY OWNED AND MARITIME ADMINISTRATION OWNED SHIPS - NUMBER, DEADWEIGHT TONS AND YEAR BUILT

## TANKERS *




| YEAR BUILT | 1952 | 51 | 50 | 49 | 48 | 47 | 46 | 45 | 44 | 43 | 42 | 41 | 40 | 39 | 38 | 37 | 36 | 35 | 34 | 33 | 32 | 31 | 30 | 29 | 28 | 27 | 26 | 25 | 24 | 23 | 22 | Prior to 1922 | TOTAL SHIPS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| AGE, YEARS (As of Dec 31, 1952) | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | | |
| NO. OF SHIPS | 4 | 2 | 4 | 3 | 2 | 1 | 2 | 83 | 107 | 130 | 34 | 16 | 8 | 4 | 8 | 12 | 8 | 2 | 1 | - | - | 3 | 4 | 1 | 4 | 2 | 2 | 1 | 1 | 1 | - | 10 | 450 |
| Privately Owned | 4 | 2 | 4 | 3 | 2 | 1 | 2 | 79 | 100 | 128 | 34 | 16 | 8 | 4 | 8 | 12 | 8 | 2 | 1 | - | - | 3 | 4 | 1 | 4 | 2 | 2 | 1 | 1 | 1 | - | 10 | 429 |
| M.A. Owned | - | - | - | - | - | - | - | 4 | 7 | 2 | - | 2 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 21 |

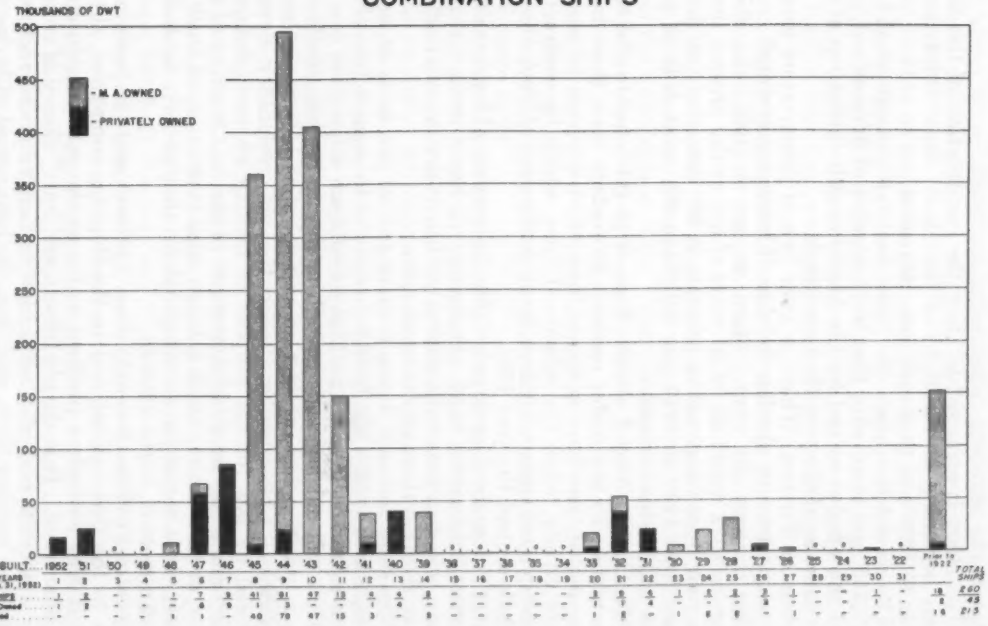
* Seagoing ships of 1000 gross tons and over in foreign and domestic trade. (Excludes ships on Great Lakes and inland waterways)

U.S. DEPARTMENT OF COMMERCE - MARITIME ADMINISTRATION Chart 11

# AGE OF UNITED STATES FLAG SEAGOING MERCHANT FLEET - AS OF DECEMBER 31, 1952

PRIVATELY OWNED AND MARITIME ADMINISTRATION OWNED SHIPS - NUMBER, DEADWEIGHT TONS AND YEAR BUILT

## COMBINATION SHIPS *




| YEAR BUILT | 1952 | '51 | '50 | '49 | '48 | '47 | '46 | '45 | '44 | '43 | '42 | '41 | '40 | '39 | '38 | '37 | '36 | '35 | '34 | '33 | '32 | '31 | '30 | '29 | '28 | '27 | '26 | '25 | '24 | '23 | '22 | Prior to 1922 | TOTAL SHIPS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| AGE, YEARS (as of Dec. 31, 1952) | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | | |
| NO. OF SHIPS | 1 | 2 | – | – | 1 | 7 | 9 | 41 | 91 | 67 | 13 | 4 | 4 | 3 | – | – | – | – | – | 3 | 6 | 4 | 1 | 2 | 3 | 3 | 1 | – | – | 1 | – | 18 | 260 |
| Privately Owned | 1 | 2 | – | – | – | 6 | 9 | 1 | 3 | – | – | 1 | 4 | – | – | – | – | – | – | 1 | 2 | 4 | – | – | – | 3 | – | – | – | 1 | – | 2 | 45 |
| M. A. Owned | – | – | – | – | 1 | 1 | – | 40 | 78 | 67 | 13 | 3 | – | 3 | – | – | – | – | – | 1 | 2 | – | 1 | 2 | 3 | – | 1 | – | – | – | – | 16 | 215 |

* Seagoing ships of 1000 gross tons and over in foreign and domestic trade. (Excludes ships on Great Lakes and inland waterways).

Mr. STAKEM. Chart 8 shows the age of the United States seagoing merchant fleet as of December 31, 1952, the total fleet, dry cargo and tanker.

The red on the chart shows the privately owned and the shaded black is the Maritime Administration owned.

The chart is arranged to show the construction of the ships each year, beginning at the right of the chart, those ships constructed prior to 1922 and then each year thereafter, up to 1952.

The second line below the "year built" is the age as of December 31, 1952, and then below that is the number of ships owned, privately, and the number owned by the Maritime Administration at the present time, as of the year they were built.

Senator POTTER. Where is your line of demarcation as to where the ships are now obsolete because of becoming overage?

Mr. STAKEM. By year. Since we are in 1953, the ships built prior to 1932 would all be 20 years of age at the present time. You see your huge construction program in the war, and you see that 20 years from 1942 to 1946 you will have the great bulk of your fleet that will become overage.

Mr. CLARK. May I observe here, with reference to the subsidized operators who are under contract to replace their ships in this 20-year period, you have a spread here which projects to you, I think quite vividly, when the subsidized lines, which by contractual relationship must replace the fleet, meet their period of block obsolescence. It falls around the year 1966.

Our voluntary-deposit policy, for the purpose of laying aside money to meet this terrific block obsolescence is based upon this particular study, which indicates the critical conditions that we will find ourselves in, in meeting those replacement costs.

The ships are now being depreciated on the basis of acquisition costs, which means the lines are required to deposit into the capital reserve fund each year 5 percent based upon acquisition cost.

That will not lay aside enough money to replace the fleet at that low acquisition cost, against an ever-spiraling increase in cost and in materials. Consequently, under the act, voluntary deposits are covered by law for the purpose of making up such deficits in our policy and in laying aside money out of the free earnings of the company, at their desire, which is based upon their study of block obsolescence. It is one of the terrific problems that we have to deal with, if we can meet it, in the 1960's.

Senator POTTER. Not only does it present quite an economic problem to the Government and to the shipping companies, themselves, but it also presents a problem as far as the construction companies are concerned. It is the old "boom and bust" theory of compressing into a short period of time a construction program, recruiting new labor and training them, and then the bust period of laying them off and having this come up every 20 years.

Mr. CLARK. Indeed, that is an excellent observation. That is exactly what we face.

Mr. STAKEM. Chart 9, Mr. Chairman, takes the same age of the fleet and applies it just to freighters. It really gives a picture of very little freighter construction for United States-flag operation in the years prior to the war.

Senator POTTER. What happened then? Do we have quite a few freighters constructed in foreign construction?

Mr. STAKEM. Referring back to the economic study of 1937, I think there was a reference to the effect that when that study was prepared, about 93 percent of the entire fleet at that time was over age and obsolete, and this shows why you had no construction in the freighter class.

Senator POTTER. They were the obsolete ships of World War I?

Mr. STAKEM. Yes. That was what was being used. Here you have the Merchant Marine Act of 1936, and then we had the modest shipbuilding program. The chairman will remember it got underway in 1939, leading into the war production of the tremendous number of freighters.

The red shows the privately owned freighters as of the end of 1952; the shaded black are those owned by the Maritime Administration.

Chart 10 again applies the age factor to the tankers in the merchant fleet as of the end of 1952. Here we see very little Government activity in the ownership of ships. The red is privately owned, with very little in the shaded black, being Maritime Administration owned. Although we see some tanker construction in the middle 1930's, and the later 1930's, again the tremendous tanker-construction program occurred in the war years.

Thus, we have the same block obsolescence to tankers as we have in the dry-cargo ships.

Chart 11 demonstrates the age of the combination ships. The red again is the privately owned against the shaded black, Maritime-owned. We have, in the "Year built," the number of ships privately owned and Maritime Administration-owned. Again, the block-obsolescence problem strikes you right in the face, because we have no combination ships constructed in the early 1930's. We had a start of a program in 1939, after the Merchant Marine Act of 1936, and then, of course, the huge war-construction program.

Senator POTTER. How may did we have built last year?

Mr. STAKEM. Last year there was one combination built, which is privately owned.

Mr. CLARK. Mr. Chairman, I think to help round out this picture, I should like to turn to the Great Lakes situation.

On December 31, 1952, the Great Lakes merchant fleet consisted of 386 ships, 348 bulk carriers, and 38 of other types. Of this fleet, 289 units were built prior to 1922 and are now over 30 years of age. A chart has been prepared to demonstrate the size and age of our Great Lakes fleet. Your committee may desire to insert this chart in the record at this point. I offer the chart at this time.

Senator POTTER. It will be printed in the record at this point.

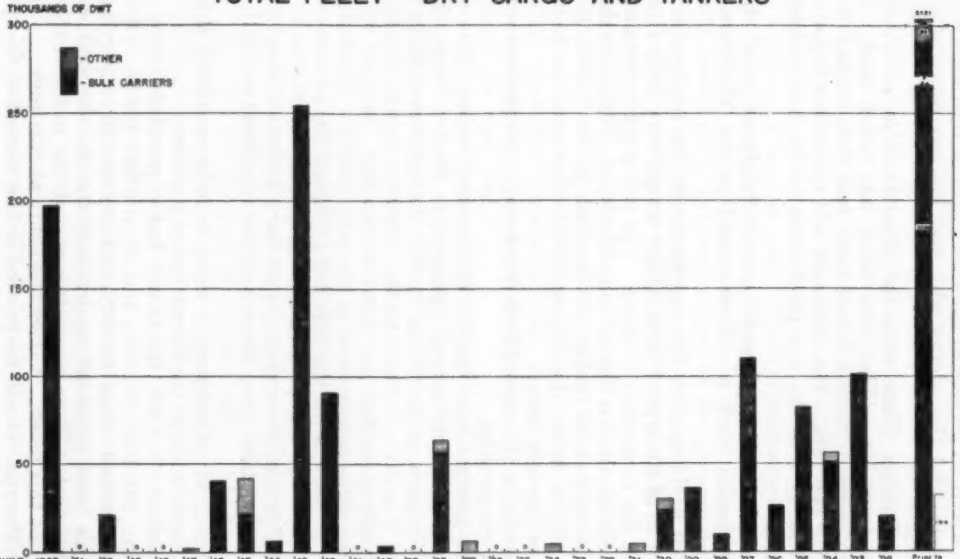
(The chart referred to is as follows:)

U. S. DEPARTMENT OF COMMERCE – MARITIME ADMINISTRATION Chart 12

# AGE OF UNITED STATES FLAG GREAT LAKES MERCHANT FLEET AS OF DECEMBER 31, 1952

PRIVATELY OWNED AND MARITIME ADMINISTRATION OWNED SHIPS – NUMBER, DEADWEIGHT TONS AND YEAR BUILT

## TOTAL FLEET – DRY CARGO AND TANKERS*




| AGE, YEARS (As of Dec. 31, 1952) | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | | TOTAL FLEET |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| NO. OF SHIPS | 10 | – | 1 | – | – | 1 | 3 | 5 | 1 | 16 | 5 | – | 1 | – | 6 | 1 | – | – | 2 | – | – | 1 | 3 | 3 | 2 | 9 | 2 | 7 | 7 | 9 | 2 | 283 | 286 |
| Bulk Carriers | 10 | – | 1 | – | – | – | 3 | 5 | 1 | 16 | 5 | – | 1 | – | 4 | – | – | – | – | – | – | – | 2 | 3 | – | 9 | 2 | 7 | 4 | 9 | 2 | 266 | 268 |
| Other | – | – | – | – | – | 1 | – | – | – | – | – | – | – | – | 2 | 1 | – | – | 2 | – | – | 1 | 1 | – | 2 | – | – | – | 3 | – | – | 17 | 18 |

*Combination ships, freighters, bulk carriers and tankers, 1000 gross tons and over.
Includes 8 Maritime Administration owned bulk carriers 36,200 deadweight tons, all built prior to 1922.

Mr. STAKEM. The year 1922 is over at the right of the chart, and shows the major portion of the Great Lakes fleet was built prior to 1922, with a fair construction program during the war, 10 ships being built in 1952.

Senator POTTER. Do you have any measurement as to the life of a Great Lakes ship? Fresh water does not have the effect on a ship that salt water has. I assume the life of a ship is longer in the Great Lakes; is that true?

Mr. CLARK. That is true. We have studies on that subject. I do not have the material with me here today. The ships in the fresh water last considerably longer. They do not pit out nearly as quickly.

You cannot judge the fleet on the Great Lakes on the same context of our studies as we can those that are in constant sea water. If you would desire, sir, some statement on that, we have the material to give you a statement.

(The information referred to was not received at the time the hearings were printed.)

Senator POTTER. I do know there is a great deal of interest, however, in getting faster ships on the Lakes, particularly your ore-carrying ships. I assume in their replacement program, they are going to be most interested in getting more speed and also larger ships.

Mr. CLARK. I am sure. I think, Mr. Chairman, you have the same problem there on block obsolescence, because whether they run them 30, 32, or 35 years, the great bulk of these Great Lakes ships again hits in a block, the same as it does with oceangoing ships.

Mr. DREWRY. Then it is also the question, which I think Senator Potter touched on, that the quality of the fleet from the standpoint of operating efficiency, is subject to just as rapid obsolescence as oceangoing, irrespective of the——

Mr. CLARK. That is certainly true.

As to the employment of United States seagoing fleet: For the use of this committee in its deliberations, the staff of the Maritime Administration has prepared an analysis of the employment of the privately owned and Maritime Administration owned ships of all types for the years 1937–41 and 1946–52. This analysis presents: (*a*) The total active and inactive ships; (*b*) the ships engaged in foreign trade, which trade is subdivided into overseas foreign and nearby foreign areas; (*c*) ships engaged in the domestic trade, subdivided into coastwise, intercoastal, and noncontiguous trade. A further breakdown shows the utilization of the combination ships, freighters and tankers, both Government-owned and private, in all of these trade areas for the above-identified years. Copies of this study are being furnished your committee.

Senator POTTER. Without objection, that will be made a part of the record at this point.

(The material referred to is as follows:)

# EMPLOYMENT OF UNITED STATES FLAG MERCHANT FLEET 1937–41 AND 1946–52

(Seagoing vessels 1,000 gross tons and over)

## FOREWORD

The data contained in the attached tables, numbers I through XII, covering employment of ships comprising the United States flag merchant marine for the years 1937–41 and 1946–52, are in considerable detail. A condensed tabular presentation with brief comments has been prepared for the purpose of summarizing the detailed material.

The years 1937–41 and 1946–52 have been divided into three groups: (1) Prewar, 1937–41; (2) postwar, 1946–49; and (3) Korean emergency, 1950–52. This arrangement seemed feasible since shipping in general and ship employment in particular appear to be affected by the events occurring in these periods.

The tables are self-explanatory, and only brief comment has been made. It should be noted that all data contained in tables I–XII and the tables appearing in the text refer to seagoing merchant ships of 1,000 gross tons and over and exclude: (1) merchant vessels owned by the United States Army and Navy; (2) vessels on the inland waterways and Great Lakes; and (3) special types such as cable ships, tugs, etc.

It should be emphasized that employment data varies from month to month. For the most part the employment data appearing in the numbered tables, I through XII, have been extracted as of the last day of the calendar year in order to insure the best comparability between data.

## ANALYSIS

### EMPLOYMENT OF UNITED STATES-FLAG SHIPS COMPRISING THE MERCHANT MARINE FOR THE PERIODS—PREWAR, 1937–41; POSTWAR, 1946–49; AND THE KOREAN EMERGENCY, 1950–52

The table below reflecting the average size, in dead-weight tons, of the United States-flag merchant marine, was prepared for the purpose of presenting a condensed overall picture of the fleet for the three periods under discussion. It delineates rather sharply the effect domestic and foreign economic conditions had on the employment and status of the ships comprising the merchant marine, and also serves as an absolute base from which to apply the percentage figures appearing in the remaining text.

*Comparison of the size and employment of the United States-flag merchant marine for the 3 periods—prewar, 1937–41; postwar, 1946–49, and the Korean emergency, 1950–52*

[Based on dead-weight-ton averages for the 3 periods, dead-weight tonnage in thousands]

| Types | Grand total | | | Total active | | | Domestic | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1937–41 | 1946–49 | 1950–52 | 1937–41 | 1946–49 | 1950–52 | 1937–41 | 1946–49 | 1950–52 |
| Total | 11,156 | 39,557 | 35,457 | 9,627 | 20,055 | 17,536 | 6,210 | 5,704 | 6,123 |
| Freighters | 6,146 | 29,923 | 27,021 | 4,977 | 12,933 | 10,441 | 2,640 | 1,735 | 1,701 |
| Combinations | 910 | [1] 633 | [1] 1,570 | 686 | 307 | 468 | 191 | 27 | 21 |
| Tankers | 4,097 | 9,000 | 6,864 | 3,966 | 6,814 | 6,625 | 3,379 | 3,941 | 4,401 |

| Types | Foreign | | | Inactive | | |
|---|---|---|---|---|---|---|
| | 1937–41 | 1946–49 | 1950–52 | 1937–41 | 1946–49 | 1950–52 |
| Total | 3,417 | 14,351 | 11,413 | 1,522 | 19,502 | 17,921 |
| Freighters | 2,337 | 11,198 | 8,740 | 1,165 | 16,990 | 16,580 |
| Combinations | 495 | 280 | 447 | 224 | [1] 326 | [1] 1,102 |
| Tankers | 586 | 2,873 | 2,224 | 132 | 2,186 | 239 |

[1] Includes former combination passenger and cargo vessels and freighters converted to troop ships, hospital ships, etc., which have not been converted to their original type.

NOTE.—Tonnage figures are not additive since the detailed figures have been rounded to the nearest thousand.

*Prewar, 1937–41, percentage distribution of United States privately and Government owned dead-weight tons employed in the domestic and foreign trades of the United States*

[Based on dead-weight-ton averages for the 5-year period 1937 through 1941]

| | Grand total | Total active | Domestic | Foreign | Inactive |
|---|---|---|---|---|---|
| All types | 100 | 86.0 | 55.0 | 31.0 | 14.0 |
| Freighters | 100 | 81.0 | 43.0 | 38.0 | 19.0 |
| Combinations | 100 | 75.0 | 21.0 | 54.0 | 25.0 |
| Tankers | 100 | 97.0 | 83.0 | 14.0 | 3.0 |

*Comment.*—The widest variation from the above pattern for the prewar period occurred in 1941, prior to this country's entry into World War II. Although the total fleet in that year had actually decreased in size due to sales abroad from surplus reserve fleet tonnage, part of the surplus Government-owned inactive tonnage was placed into active service, thereby increasing the active fleet to 98 percent of the total.

*Percentage distribution of United States privately owned and Government owned tonnage by type of ship and trade based on dead-weight-ton average for the 5-year period 1937 through 1941*

| Types | Grand total | | | Total active | | | Domestic | | |
|---|---|---|---|---|---|---|---|---|---|
| | Total | Private | Government | Total | Private | Government | Total | Private | Government |
| All types | 100 | 89 | 11 | 100 | 96 | 4 | 100 | 100 | 0 |
| Freighters | 100 | 82 | 18 | 100 | 93 | 7 | 100 | 100 | 0 |
| Combinations | 100 | 88 | 12 | 100 | 92 | 8 | 100 | 100 | 0 |
| Tankers | 100 | 100 | 0 | 100 | 100 | 0 | 100 | 100 | 0 |

| Types | Foreign | | | Inactive | | |
|---|---|---|---|---|---|---|
| | Total | Private | Government | Total | Private | Government |
| All types | 100 | 88 | 12 | 100 | 48 | 52 |
| Freighters | 100 | 85 | 15 | 100 | 37 | 63 |
| Combinations | 100 | 88 | 12 | 100 | 75 | 25 |
| Tankers | 100 | 100 | 0 | 100 | 100 | 0 |

*Comments.*—During this period the United States Government was virtually out of the shipping business. On the average, with the exception of 1940 and 1941, only a little over one-third of the 1,100,000 tons of Government-owned shipping was actively employed, and it was engaged entirely in the foreign trade. By 1941, however, the Government-owned reserve-fleet tonnage had declined to 127,000 tons by virtue of withdrawals for (1) purchase by or transfer to foreign allied governments and (2) required tonnage needed to supplement the privately owned fleet.

*Postwar, 1946–49, percentage distribution of the United States privately and Government owned dead-weight tons employed in the domestic and foreign trade of the United States*

[Based on dead-weight-ton average for the 4-year period 1946 through 1949]

| | Grand total | Total active | Domestic | Foreign | Inactive |
|---|---|---|---|---|---|
| All types | 100 | 51 | 14 | 37 | 49 |
| Freighters | 100 | 43 | 6 | 37 | 57 |
| Combinations | 100 | 48 | 4 | 44 | 52 |
| Tankers | 100 | 76 | 44 | 32 | 24 |

*Comment.*—The above table, when compared to the similar one for the prewar period, reflects a shift in the employment pattern. Since the average size of the fleet had more than trebled, the inactive tonnage including Government-owned tonnage in the Reserve Fleet comprised almost half of the entire fleet. A more accurate comparison of tonnage employed is evidenced when the percentage distributions for the total active fleet only are compared for the two periods.

*Comparison of the percentage distribution of United States privately and Government-owned dead-weight tonnage employed in the domestic and foreign trade to the total active fleet for the prewar and postwar periods*

[Percent]

| Period | Total active fleet | Domestic | Foreign |
|---|---|---|---|
| All types: | | | |
| 1937–41 | 100 | 64 | 36 |
| 1946–49 | 100 | 27 | 73 |
| Freighters: | | | |
| 1937–41 | 100 | 53 | 47 |
| 1946–49 | 100 | 14 | 86 |
| Combinations: | | | |
| 1937–41 | 100 | 28 | 72 |
| 1946–49 | 100 | 8 | 92 |
| Tankers: | | | |
| 1937–41 | 100 | 86 | 14 |
| 1946–49 | 100 | 58 | 42 |

*Percentage distribution of United States privately owned and Government owned tonnage, by type of ship and trade based on dead-weight-ton average for the 4-year period 1946 through 1949*

| Types | Grand total | | | Total active | | | Domestic | | |
|---|---|---|---|---|---|---|---|---|---|
| | Total | Private | Government | Total | Private | Government | Total | Private | Government |
| All types | 100 | 29 | 71 | 100 | 54 | 46 | 100 | 80 | 20 |
| Freighters | 100 | 19 | 81 | 100 | 39 | 61 | 100 | 54 | 46 |
| Combinations | 100 | 46 | 54 | 100 | 73 | 27 | 100 | 100 | 0 |
| Tankers | 100 | 64 | 36 | 100 | 80 | 20 | 100 | 91 | 9 |

| Types | Foreign | | | Inactive | | |
|---|---|---|---|---|---|---|
| | Total | Private | Government | Total | Private | Government |
| All types | 100 | 43 | 57 | 100 | 5 | 95 |
| Freighters | 100 | 37 | 63 | 100 | 3 | 97 |
| Combinations | 100 | 70 | 30 | 100 | 21 | 79 |
| Tankers | 100 | 64 | 63 | 100 | 14 | 86 |

*Comment.*—It is apparent that the huge construction program in the United States during World War II had put the Government back into the shipping business. Approximately 46 percent of the entire active fleet was Government-owned tonnage as compared with 4 percent in the prewar period. The heaviest concentration of Government owned and operated tonnage occurred during 1946 and 1947, comprised primarily of freighter tonnage. Thereafter it declined rapidly until 1949, when only 9 percent of the active tonnage was made up of Government-owned tonnage.

*Korean emergency, 1950–52, percentage distribution of the United States privately and Government-owned dead-weight tonnage employed in the domestic and foreign trade of the United States*

[Based on dead-weight-ton average for the 3-year period 1950 through 1952]

| | Grand total | Total active | Domestic | Foreign | Inactive |
|---|---|---|---|---|---|
| All types | 100 | 49 | 17 | 32 | 51 |
| Freighters | 100 | 39 | 6 | 33 | 61 |
| Combinations | 100 | 30 | 1 | 29 | 70 |
| Tankers | 100 | 97 | 64 | 33 | 3 |

*Comment.*—This period, including only 3 years, lends itself least to an averaging method since each individual year varies widely one from another. For example: The active fleet in 1950 totaled 13,435,000 dead-weight tons. By 1951 this tonnage was increased to 22,440,000 tons, of which 7,173,000 tons represented Government-owned tonnage—most of which was withdrawn from the reserve fleet to supplement the privately owned fleet required to transport grain and coal and other aid cargo. By 1952 the total active fleet had been reduced to 16,734,000 tons, of which 1,888,000 were Government owned. This period demonstrates the real value of reserve-fleet tonnage in times of emergency.

*Percentage distribution of United States privately owned and Government owned tonnage based on dead-weight-ton average for 1950, 1951, 1952*

| Type | Grand total | | | Total active | | | Domestic | | |
|---|---|---|---|---|---|---|---|---|---|
| | Total | Private | Government | Total | Private | Government | Total | Private | Government |
| All types | 100 | 41 | 59 | 100 | 82 | 18 | 100 | 97 | 3 |
| Freighters | 100 | 28 | 72 | 100 | 71 | 29 | 100 | 89 | 11 |
| Combinations | 100 | 22 | 78 | 100 | 64 | 36 | 100 | 100 | 0 |
| Tankers | 100 | 98 | 2 | 100 | 100 | 0 | 100 | 100 | 0 |

| Type | Foreign | | | Inactive | | |
|---|---|---|---|---|---|---|
| | Total | Private | Government | Total | Private | Government |
| All types | 100 | 74 | 26 | 100 | 2 | 98 |
| Freighters | 100 | 68 | 32 | 100 | 1 | 99 |
| Combinations | 100 | 62 | 38 | 100 | 4 | 96 |
| Tankers | 100 | 100 | 0 | 100 | 59 | 41 |

*Comment.*—Again the 3 years in the period varied widely as to Government versus private ownership of the active fleet. For example: In 1950, of the total 13,440,000 dead-weight tons actually employed, 12,957,000 tons (or 96 percent) were privately owned as compared with 483,000 Government-owned tons (or 4 percent of the total). In 1951, both privately owned and Government-owned tonnage of the active fleet had increased to 15,272,000 and 7,169,000 tons, respectively, representing 68 and 32 percent of the total. In 1952, these figures dropped to 14,843,000 tons privately owned and 1,889,000 tons Government owned or 86 and 14 percent, respectively, of the total. This Government-owned tonnage was required for the transport of defense and aid cargo, and obviously could not have been supplied by the private operators alone.

TABLE I.—*Employment of United States flag privately and Government-owned seagoing merchant fleet, all types, 1937–41 and 1946–52 (1,000 gross tons and over)*

[Tonnage in thousands]

| Year | Grand total, active and inactive | | | Total active | | | Total foreign trade | | | Overseas foreign | | | Nearby foreign | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons |
| 1937 | 1,428 | 8,158 | 11,758 | 1,164 | 6,809 | 9,955 | 428 | 2,687 | 3,724 | 314 | 2,056 | 2,889 | 114 | 631 | 835 |
| 1938 | 1,420 | 8,202 | 11,825 | 1,042 | 6,064 | 8,910 | 330 | 2,148 | 3,004 | 232 | 1,548 | 2,221 | 98 | 600 | 783 |
| 1939 | 1,385 | 8,045 | 11,567 | 1,133 | 6,651 | 9,761 | 328 | 2,098 | 2,861 | 248 | 1,637 | 2,327 | 80 | 461 | 534 |
| 1940 | [1] 1,233 | 7,279 | 10,533 | 1,094 | 6,558 | 9,623 | 384 | 2,486 | 3,444 | [1] 274 | 1,842 | 2,639 | 110 | 644 | 805 |
| 1941 | [2] 1,168 | 6,842 | 10,096 | 1,134 | 6,670 | 9,888 | 471 | 2,816 | 4,053 | 292 | 1,899 | 2,790 | 179 | 917 | 1,263 |
| 1946 | 4,422 | 32,147 | 46,540 | 2,332 | 17,231 | 25,390 | 1,890 | 14,074 | 20,590 | 1,658 | 12,489 | 18,233 | 232 | 1,585 | 2,357 |
| 1947 | 3,696 | 27,304 | 38,882 | 2,114 | 16,108 | 23,651 | 1,603 | 11,971 | 17,238 | 1,399 | 10,517 | 15,193 | 204 | 1,454 | 2,045 |
| 1948 | 3,410 | 25,332 | 36,462 | 1,415 | 11,250 | 16,632 | 986 | 7,770 | 11,218 | 822 | 6,536 | 9,513 | 164 | 1,234 | 1,705 |
| 1949 | 3,389 | 25,304 | 36,357 | 1,212 | 9,817 | 14,547 | 727 | 5,845 | 8,359 | 579 | 4,604 | 6,635 | 148 | 1,241 | 1,724 |
| 1950 | 3,168 | 23,669 | 33,988 | 1,099 | 9,035 | 13,435 | 646 | 5,317 | 7,633 | 496 | 4,046 | 5,832 | 150 | 1,271 | 1,801 |
| 1951 | [3] 3,373 | 25,177 | 36,265 | 1,955 | 15,256 | 22,440 | 1,480 | 11,316 | 16,166 | [3] 1,351 | 10,303 | 14,865 | 129 | 1,013 | 1,401 |
| 1952 | [4] 3,349 | 25,122 | 36,139 | 1,408 | 11,420 | 16,734 | 930 | 7,347 | 10,340 | [4] 816 | 6,467 | 9,158 | 114 | 880 | 1,182 |

| Year | Total domestic trade | | | Coastwise | | | Intercoastal | | | Noncontiguous | | | Inactive | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons |
| 1937 | 736 | 4,122 | 6,231 | 534 | 2,957 | 4,400 | 137 | 845 | 1,338 | 65 | 320 | 433 | 264 | 1,348 | 1,801 |
| 1938 | 712 | 3,916 | 5,906 | 482 | 2,625 | 3,957 | 137 | 827 | 1,344 | 93 | 464 | 605 | 378 | 2,136 | 2,916 |
| 1939 | 805 | 4,553 | 6,900 | 568 | 3,178 | 4,807 | 165 | 989 | 1,576 | 72 | 386 | 517 | 252 | 1,394 | 1,806 |
| 1940 | 710 | 4,072 | 6,179 | 505 | 2,908 | 4,396 | 125 | 745 | 1,226 | 80 | 419 | 557 | 139 | 722 | 908 |
| 1941 | 663 | 3,854 | 5,835 | 450 | 2,666 | 4,065 | 94 | 574 | 919 | 119 | 614 | 851 | 31 | 138 | 177 |
| 1946 | 442 | 3,157 | 4,800 | 297 | 2,191 | 3,480 | 54 | 393 | 563 | 91 | 573 | 757 | 2,090 | 14,906 | 21,137 |
| 1947 | 511 | 4,137 | 6,413 | 381 | 3,187 | 5,104 | 68 | 517 | 742 | 62 | 433 | 567 | 1,582 | 11,199 | 15,231 |
| 1948 | 429 | 3,480 | 5,414 | 325 | 2,705 | 4,327 | 45 | 347 | 502 | 59 | 428 | 585 | 1,995 | 14,085 | 19,833 |
| 1949 | 485 | 3,972 | 6,188 | 345 | 2,871 | 4,577 | 82 | 697 | 1,051 | 58 | 404 | 560 | 2,177 | 15,485 | 21,807 |
| 1950 | 453 | 3,718 | 5,802 | 334 | 2,825 | 4,515 | 67 | 507 | 755 | 52 | 386 | 532 | 2,069 | 14,630 | 20,547 |
| 1951 | 475 | 3,940 | 6,174 | 356 | 3,094 | 4,960 | 57 | 427 | 635 | 62 | 419 | 579 | 1,418 | 9,904 | 13,809 |
| 1952 | 478 | 4,073 | 6,394 | 356 | 3,174 | 5,086 | 57 | 451 | 665 | 65 | 448 | 643 | 1,941 | 13,702 | 19,407 |

[1] Includes 6 ships of 52,000 gross tons and 59,000 deadweight tons loaned to the War Department.
[2] Includes 3 ships of 33,000 gross tons and 31,000 deadweight tons loaned to the War Department.
[3] Includes 3 ships of 33,000 gross tons and 31,000 deadweight tons operated by other U. S. Government agencies, primarily the Military Sea Transport Service, Department of Defense.
[4] Includes 273 ships of 2,050,000 gross tons and 2,798,000 deadweight tons operated by other U. S. Government agencies, primarily MSTS.
[4] Includes 264 ships of 1,984,000 gross tons and 2,701,000 deadweight tons operated by other U. S. Government agencies, primarily MSTS.

NOTE.—Tonnage figures not additive since the detailed figures have been rounded to the nearest thousand.

TABLE II.—*Employment of United States flag, privately owned, seagoing merchant fleet, all types, 1937–41 and 1946–52 (1,000 gross tons and over)*

[Tonnage in thousands]

| Year | Grand total, active and inactive | | | Total active | | | Total foreign trade | | | Overseas foreign | | | Nearby foreign | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons |
| 1937 | 1,268 | 7,167 | 10,338 | 1,122 | 6,572 | 9,594 | 386 | 2,450 | 3,363 | 276 | 1,843 | 2,562 | 110 | 607 | 801 |
| 1938 | 1,261 | 7,179 | 10,384 | 1,000 | 5,827 | 8,549 | 288 | 1,911 | 2,643 | 194 | 1,335 | 1,894 | 94 | 576 | 749 |
| 1939 | 1,218 | 6,912 | 10,041 | 1,095 | 6,374 | 9,408 | 290 | 1,821 | 2,508 | 213 | 1,390 | 1,994 | 77 | 431 | 514 |
| 1940 | 1,128 | 6,564 | 9,568 | 1,047 | 6,225 | 9,185 | 337 | 2,143 | 3,006 | 230 | 1,529 | 2,221 | 107 | 614 | 785 |
| 1941 | 1,092 | 6,335 | 9,412 | 1,076 | 6,284 | 9,361 | 413 | 2,430 | 3,526 | 236 | 1,533 | 2,277 | 177 | 897 | 1,249 |
| 1946 | 644 | 4,628 | 6,990 | 535 | 4,040 | 6,239 | 284 | 2,139 | 3,248 | 194 | 1,409 | 2,125 | 90 | 730 | 1,123 |
| 1947 | 980 | 7,605 | 11,281 | 878 | 6,873 | 10,228 | 521 | 3,992 | 5,717 | 406 | 3,087 | 4,462 | 115 | 905 | 1,255 |
| 1948 | 1,176 | 9,310 | 13,964 | 1,074 | 8,667 | 13,069 | 685 | 5,490 | 8,088 | 535 | 4,328 | 6,459 | 150 | 1,162 | 1,629 |
| 1949 | 1,188 | 9,470 | 14,241 | 1,101 | 8,889 | 13,405 | 665 | 5,282 | 7,727 | 523 | 4,083 | 6,039 | 142 | 1,199 | 1,688 |
| 1950 | 1,087 | 8,797 | 13,197 | 1,050 | 8,584 | 12,952 | 619 | 5,041 | 7,388 | 478 | 3,822 | 5,637 | 141 | 1,219 | 1,751 |
| 1951 | [1] 1,288 | 10,321 | 15,479 | 1,262 | 10,137 | 15,270 | 813 | 6,366 | 9,339 | [1] 692 | 5,401 | 7,983 | 121 | 965 | 1,356 |
| 1952 | [2] 1,264 | 10,245 | 15,313 | 1,212 | 9,894 | 14,844 | 742 | 5,866 | 8,513 | [2] 634 | 5,027 | 7,366 | 108 | 839 | 1,147 |

| Year | Total domestic trade | | | Coastwise | | | Intercoastal | | | Noncontiguous | | | Inactive | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons |
| 1937 | 736 | 4,122 | 6,231 | 534 | 2,957 | 4,460 | 137 | 845 | 1,338 | 65 | 320 | 433 | 146 | 594 | 743 |
| 1938 | 712 | 3,916 | 5,906 | 482 | 2,625 | 3,957 | 137 | 827 | 1,344 | 93 | 464 | 605 | 261 | 1,350 | 1,836 |
| 1939 | 850 | 4,553 | 6,900 | 568 | 3,178 | 4,807 | 165 | 989 | 1,576 | 72 | 386 | 517 | 123 | 538 | 633 |
| 1940 | 710 | 4,082 | 6,179 | 505 | 2,908 | 4,396 | 125 | 745 | 1,226 | 80 | 429 | 557 | 81 | 350 | 382 |
| 1941 | 663 | 3,854 | 5,835 | 450 | 2,666 | 4,065 | 94 | 574 | 947 | 119 | 614 | 823 | 16 | 51 | 51 |
| 1946 | 251 | 1,901 | 2,991 | 224 | 1,728 | 2,792 | 1 | 1 | 2 | 26 | 172 | 197 | 109 | 580 | 744 |
| 1947 | 357 | 2,881 | 4,511 | 293 | 2,397 | 3,872 | 20 | 153 | 218 | 44 | 331 | 421 | 102 | 735 | 1,053 |
| 1948 | 389 | 3,177 | 4,981 | 320 | 2,670 | 4,273 | 15 | 109 | 165 | 54 | 398 | 543 | 102 | 646 | 896 |
| 1949 | 436 | 3,607 | 5,678 | 339 | 2,826 | 4,512 | 50 | 428 | 676 | 47 | 353 | 490 | 87 | 578 | 833 |
| 1950 | 431 | 3,543 | 5,564 | 334 | 2,825 | 4,515 | 49 | 348 | 536 | 48 | 370 | 513 | 37 | 210 | 240 |
| 1951 | 449 | 3,771 | 5,931 | 356 | 3,094 | 4,960 | 42 | 316 | 474 | 51 | 361 | 497 | 26 | 176 | 201 |
| 1952 | 470 | 4,028 | 6,331 | 356 | 3,174 | 5,086 | 53 | 421 | 621 | 61 | 433 | 624 | 52 | 351 | 470 |

[1] Includes 28 ships of 213,000 gross tons and 311,000 dead-weight tons operated by the Military Sea Transport Service, Department of Defense.
[2] Includes 100 ships of 727,000 gross tons and 1,089,000 dead-weight tons operated by the Military Sea Transport Service, Department of Defense.

TABLE III.—*Employment of United States flag, Government-owned, seagoing merchant fleet, all types, 1937–41 and 1946–52 (1,000 gross tons and over)*

[Tonnage in thousands]

| Year | Grand total, active and inactive | | | Total active | | | Total foreign trade | | | Overseas foreign | | | Nearby foreign | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Gross tons | Deadweight tons | Number | Gross tons | Deadweight tons | Number | Gross tons | Deadweight tons | Number | Gross tons | Deadweight tons | Number | Gross tons | Deadweight tons |
| 1937 | 160 | 991 | 1,420 | 42 | 237 | 361 | 42 | 237 | 361 | 38 | 213 | 327 | 4 | 24 | 34 |
| 1938 | 159 | 1,024 | 1,442 | 42 | 237 | 361 | 42 | 237 | 361 | 38 | 213 | 327 | 4 | 24 | 34 |
| 1939 | 167 | 1,133 | 1,526 | 38 | 277 | 353 | 38 | 277 | 353 | 35 | 247 | 333 | 3 | 30 | 20 |
| 1940 | [1] 105 | 715 | 965 | 47 | 343 | 438 | 47 | 343 | 438 | [1] 44 | 313 | 418 | 3 | 30 | 20 |
| 1941 | [2] 76 | 506 | 684 | 58 | 386 | 527 | 58 | 386 | 527 | 56 | 366 | 513 | 2 | 20 | 14 |
| 1946 | 3,778 | 27,519 | 39,550 | 1,797 | 13,188 | 19,150 | 1,606 | 11,937 | 17,344 | 1,464 | 11,081 | 16,109 | 142 | 856 | 1,235 |
| 1947 | 2,716 | 19,699 | 27,601 | 1,236 | 9,235 | 13,423 | 1,082 | 7,979 | 11,521 | 993 | 7,430 | 10,731 | 89 | 549 | 790 |
| 1948 | 2,234 | 16,023 | 22,498 | 341 | 2,584 | 3,561 | 301 | 2,280 | 3,128 | 287 | 2,208 | 3,052 | 14 | 72 | 76 |
| 1949 | 2,201 | 15,833 | 22,116 | 111 | 925 | 1,140 | 62 | 562 | 631 | 56 | 521 | 596 | 6 | 41 | 35 |
| 1950 | 2,081 | 14,871 | 20,790 | 49 | 449 | 482 | 27 | 275 | 244 | 18 | 223 | 194 | 9 | 52 | 50 |
| 1951 | [3] 2,085 | 14,856 | 20,785 | 693 | 5,125 | 7,173 | 667 | 4,956 | 6,930 | [3] 659 | 4,908 | 6,885 | 8 | 48 | 45 |
| 1952 | [4] 2,085 | 14,878 | 20,826 | 196 | 1,526 | 1,888 | 188 | 1,481 | 1,826 | [4] 182 | 1,440 | 1,791 | 6 | 41 | 35 |

| Year | Total domestic trade | | | Coastwise | | | Intercoastal | | | Noncontiguous | | | Inactive | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Gross tons | Deadweight tons | Number | Gross tons | Deadweight tons | Number | Gross tons | Deadweight tons | Number | Gross tons | Deadweight tons | Number | Gross tons | Deadweight tons |
| 1937 | | | | | | | | | | | | | 118 | 754 | 1,058 |
| 1938 | | | | | | | | | | | | | 117 | 786 | 1,080 |
| 1939 | | | | | | | | | | | | | 129 | 856 | 1,173 |
| 1940 | | | | | | | | | | | | | 58 | 372 | 526 |
| 1941 | | | | | | | | | | | | | 15 | 87 | 127 |
| 1946 | 191 | 1,251 | 1,806 | 73 | 460 | 687 | 53 | 392 | 561 | 65 | 399 | 558 | 1,981 | 14,326 | 20,394 |
| 1947 | 154 | 1,256 | 1,902 | 88 | 790 | 1,232 | 48 | 364 | 524 | 18 | 102 | 146 | 1,480 | 10,464 | 14,178 |
| 1948 | 40 | 304 | 433 | 5 | 36 | 54 | 30 | 238 | 337 | 5 | 30 | 42 | 1,893 | 13,439 | 18,938 |
| 1949 | 49 | 363 | 509 | 6 | 44 | 64 | 32 | 268 | 375 | 11 | 51 | 70 | 2,090 | 14,906 | 20,974 |
| 1950 | 22 | 174 | 238 | | | | 18 | 159 | 219 | 4 | 15 | 19 | 2,032 | 14,420 | 20,306 |
| 1951 | 26 | 169 | 243 | | | | 15 | 111 | 161 | 11 | 58 | 82 | 1,392 | 9,728 | 13,608 |
| 1952 | 8 | 45 | 62 | | | | 4 | 30 | 43 | 4 | 15 | 19 | 1,889 | 13,351 | 18,937 |

[1] Includes 6 ships of 52,000 gross tons and 59,000 deadweight tons loaned to the War Department.
[2] Includes 3 vessels of 33,000 gross tons and 31,000 deadweight tons on loan to Defense Department.
[3] Includes 245 ships of 1,837,000 gross tons and 2,480,000 deadweight tons operated by other U. S. Government agencies primarily the Military Sea Transport Service.
[4] Includes 164 ships of 1,257,000 gross tons and 1,612,000 deadweight tons operated by other U. S. Government agencies, primarily the Military Sea Transport Service.

TABLE IV.—*Employment of United States flag, privately and Government owned freighters, 1937–41 and 1946–52 (1,000 gross tons and over)*

[Tonnage in thousands]

| Year | Grand total, active and inactive | | | Total active | | | Total foreign trade | | | Overseas foreign | | | Nearby foreign | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons |
| 1937 | 888 | 4,262 | 6,604 | 669 | 3,242 | 5,069 | 290 | 1,555 | 2,437 | 246 | 1,398 | 2,221 | 44 | 157 | 216 |
| 1938 | 878 | 4,220 | 6,519 | 589 | 2,833 | 4,459 | 196 | 1,079 | 1,704 | 165 | 951 | 1,532 | 31 | 128 | 172 |
| 1939 | 854 | 4,162 | 6,421 | 662 | 3,220 | 5,013 | 239 | 1,315 | 2,048 | 203 | 1,172 | 1,859 | 36 | 143 | 189 |
| 1940 | [1] 749 | 3,723 | 5,714 | 652 | 3,262 | 5,038 | 290 | 1,643 | 2,529 | [1] 234 | 1,409 | 2,210 | 56 | 234 | 319 |
| 1941 | [2] 716 | 3,564 | 5,472 | 691 | 3,445 | 5,305 | 358 | 1,933 | 2,966 | 257 | 1,532 | 2,400 | 101 | 401 | 566 |
| 1946 | 3,442 | 23,492 | 33,379 | 1,833 | 12,577 | 18,105 | 1,607 | 11,261 | 16,199 | 1,476 | 10,621 | 15,333 | 131 | 640 | 866 |
| 1947 | 2,977 | 20,793 | 29,206 | 1,628 | 11,541 | 16,561 | 1,434 | 10,303 | 14,779 | 1,310 | 9,592 | 13,830 | 124 | 711 | 949 |
| 1948 | 2,812 | 19,912 | 28,440 | 907 | 6,474 | 9,331 | 761 | 5,502 | 7,898 | 681 | 5,035 | 7,308 | 80 | 467 | 590 |
| 1949 | 2,821 | 20,042 | 28,675 | 744 | 5,708 | 7,733 | 555 | 4,079 | 5,913 | 493 | 3,678 | 5,409 | 62 | 401 | 504 |
| 1950 | 2,622 | 18,574 | 26,519 | 622 | 4,441 | 6,453 | 447 | 3,284 | 4,715 | 388 | 2,915 | 4,261 | 59 | 369 | 454 |
| 1951 | [3] 2,642 | 18,544 | 27,313 | 1,452 | 10,401 | 15,193 | 1,276 | 9,268 | 13,507 | [3] 1,214 | 8,876 | 12,991 | 62 | 392 | 516 |
| 1952 | [4] 2,631 | 18,507 | 27,240 | 926 | 6,647 | 9,676 | 759 | 5,526 | 7,997 | [4] 702 | 5,166 | 7,519 | 57 | 360 | 448 |

| Year | Total domestic trade | | | Coastwise | | | Intercoastal | | | Noncontiguous | | | Inactive | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons |
| 1937 | 379 | 1,687 | 2,632 | 212 | 768 | 1,136 | 124 | 715 | 1,184 | 43 | 204 | 312 | 219 | 1,021 | 1,535 |
| 1938 | 393 | 1,754 | 2,755 | 205 | 721 | 1,078 | 126 | 737 | 1,231 | 62 | 296 | 446 | 289 | 1,387 | 2,062 |
| 1939 | 423 | 1,905 | 2,965 | 227 | 820 | 1,217 | 145 | 834 | 1,368 | 51 | 251 | 380 | 192 | 942 | 1,408 |
| 1940 | 362 | 1,619 | 2,509 | 193 | 686 | 1,006 | 113 | 652 | 1,080 | 56 | 281 | 423 | 97 | 463 | 674 |
| 1941 | 333 | 1,512 | 2,339 | 161 | 570 | 842 | 90 | 538 | 890 | 82 | 405 | 607 | 23 | 108 | 148 |
| 1946 | 226 | 1,316 | 1,906 | 101 | 481 | 728 | 53 | 392 | 561 | 72 | 443 | 617 | 1,609 | 10,910 | 15,268 |
| 1947 | 194 | 1,238 | 1,782 | 82 | 435 | 659 | 65 | 486 | 692 | 47 | 317 | 431 | 1,349 | 9,255 | 12,645 |
| 1948 | 146 | 972 | 1,433 | 56 | 309 | 483 | 43 | 329 | 475 | 47 | 334 | 475 | 1,905 | 13,438 | 19,109 |
| 1949 | 189 | 1,629 | 1,820 | 78 | 420 | 652 | 58 | 450 | 652 | 53 | 359 | 516 | 2,077 | 14,731 | 20,939 |
| 1950 | 175 | 1,157 | 1,738 | 71 | 391 | 616 | 64 | 480 | 712 | 40 | 286 | 410 | 2,000 | 14,129 | 20,092 |
| 1951 | 176 | 1,133 | 1,686 | 67 | 368 | 568 | 54 | 400 | 591 | 55 | 365 | 527 | 1,190 | 8,136 | 12,112 |
| 1952 | 167 | 1,121 | 1,679 | 62 | 369 | 560 | 49 | 378 | 548 | 56 | 374 | 551 | 1,705 | 11,859 | 17,597 |

[1] Includes 5 ships of 31,000 gross tons and 47,000 dead-weight tons loaned to War Department.
[2] Includes 2 freighters of 12,000 gross tons and 18,000 dead-weight tons on loan to Defense Department.
[3] Includes 256 ships of 1,858,000 gross tons and 2,654,000 dead weight operated by other U. S. Government agencies, primarily the Military Sea Transport Service.
[4] Includes 250 ships of 1,805,000 gross tons and 2,597,000 dead-weight tons operated by other U. S. Government agencies, primarily the Military Sea Transport Service

TABLE V.—*Employment of United States flag privately owned freighters, 1937–41 and 1946–52 (1,000 gross tons and over)*

[Tonnage in thousands]

| Year | Grand total, active and inactive | | | Total active | | | Total foreign trade | | | Overseas foreign | | | Nearby foreign | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons |
| 1937 | 734 | 3,373 | 5,253 | 629 | 3,025 | 4,734 | 250 | 1,338 | 2,102 | 208 | 1,185 | 1,894 | 42 | 153 | 208 |
| 1938 | 728 | 3,352 | 5,201 | 549 | 2,615 | 4,124 | 156 | 861 | 1,369 | 127 | 738 | 1,205 | 29 | 123 | 164 |
| 1939 | 703 | 3,279 | 5,082 | 630 | 3,034 | 4,733 | 207 | 1,129 | 1,768 | 171 | 986 | 1,579 | 36 | 143 | 189 |
| 1940 | 653 | 3,159 | 4,858 | 612 | 3,031 | 4,686 | 250 | 1,412 | 2,177 | 194 | 1,178 | 1,858 | 56 | 234 | 319 |
| 1941 | 646 | 3,160 | 4,869 | 638 | 3,139 | 4,847 | 305 | 1,627 | 2,507 | 208 | 1,249 | 1,976 | 97 | 378 | 531 |
| 1946 | 343 | 2,104 | 3,151 | 270 | 1,725 | 2,594 | 209 | 1,418 | 2,112 | 175 | 1,225 | 1,865 | 34 | 193 | 247 |
| 1947 | 589 | 4,038 | 5,777 | 522 | 3,621 | 5,155 | 413 | 2,959 | 4,192 | 356 | 2,597 | 3,734 | 57 | 362 | 458 |
| 1948 | 639 | 4,401 | 6,418 | 575 | 4,039 | 5,875 | 469 | 3,371 | 4,875 | 400 | 2,946 | 4,341 | 69 | 425 | 534 |
| 1949 | 683 | 4,784 | 7,042 | 644 | 4,563 | 6,711 | 504 | 3,698 | 5,401 | 445 | 3,308 | 4,912 | 59 | 390 | 489 |
| 1950 | 600 | 4,229 | 6,188 | 583 | 4,155 | 6,082 | 430 | 3,172 | 4,582 | 377 | 2,825 | 4,158 | 53 | 347 | 424 |
| 1951 | [1] 790 | 5,641 | 8,309 | 785 | 5,607 | 8,262 | 635 | 4,613 | 6,819 | [1] 578 | 4,270 | 6,328 | 57 | 373 | 491 |
| 1952 | [2] 776 | 5,562 | 8,191 | 751 | 5,407 | 7,970 | 592 | 4,331 | 6,353 | [2] 538 | 3,982 | 5,921 | 54 | 349 | 432 |

| Year | Total domestic trade | | | Coastwise | | | Intercoastal | | | Noncontiguous | | | Inactive | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons |
| 1937 | 379 | 1,687 | 2,632 | 212 | 768 | 1,136 | 124 | 715 | 1,184 | 43 | 204 | 312 | 105 | 349 | 519 |
| 1938 | 393 | 1,754 | 2,755 | 205 | 721 | 1,078 | 126 | 737 | 1,231 | 62 | 296 | 446 | 179 | 738 | 1,079 |
| 1939 | 423 | 1,905 | 2,965 | 227 | 820 | 1,217 | 145 | 834 | 1,368 | 51 | 251 | 380 | 73 | 245 | 349 |
| 1940 | 362 | 1,619 | 2,509 | 193 | 686 | 1,006 | 113 | 652 | 1,080 | 56 | 281 | 423 | 41 | 129 | 172 |
| 1941 | 333 | 1,512 | 2,340 | 161 | 570 | 842 | 90 | 538 | 890 | 82 | 405 | 607 | 8 | 21 | 22 |
| 1946 | 61 | 307 | 482 | 51 | 236 | 380 | | | | 10 | 71 | 102 | 73 | 376 | 555 |
| 1947 | 109 | 662 | 963 | 61 | 305 | 477 | 17 | 122 | 168 | 31 | 235 | 318 | 67 | 420 | 622 |
| 1948 | 106 | 668 | 1,000 | 51 | 273 | 429 | 13 | 91 | 138 | 42 | 304 | 433 | 64 | 362 | 543 |
| 1949 | 140 | 865 | 1,310 | 72 | 375 | 588 | 26 | 182 | 276 | 42 | 308 | 446 | 39 | 218 | 329 |
| 1950 | 153 | 983 | 1,500 | 71 | 391 | 616 | 46 | 321 | 493 | 36 | 271 | 391 | 17 | 72 | 102 |
| 1951 | 150 | 964 | 1,443 | 67 | 388 | 568 | 39 | 289 | 430 | 44 | 307 | 445 | 5 | 30 | 42 |
| 1952 | 159 | 1,076 | 1,617 | 62 | 369 | 580 | 45 | 348 | 505 | 52 | 359 | 532 | 25 | 155 | 221 |

[1] Includes 28 ships of 213,000 gross tons and 311,000 dead-weight tons operated by other United States agencies, primarily the Military Sea Transport Service.
[2] Includes 100 ships of 727,000 gross tons and 1,089,000 dead-weight tons operated by other United States agencies, primarily the Military Sea Transport Service.

TABLE VI.—*Employment of United States flag, Government-owned freighters, 1937–41 and 1946–52 (1,000 gross tons and over)*

[Tonnage in thousands]

| Year | Grand total, active and inactive | | | Total active | | | Total foreign trade | | | Overseas foreign | | | Nearby foreign | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons |
| 1937 | 154 | 889 | 1,351 | 40 | 218 | 335 | 40 | 218 | 335 | 38 | 213 | 327 | 2 | 5 | 8 |
| 1938 | 150 | 867 | 1,319 | 40 | 218 | 335 | 40 | 218 | 335 | 38 | 213 | 327 | 2 | 5 | 8 |
| 1939 | 151 | 883 | 1,339 | 32 | 186 | 280 | 32 | 186 | 280 | 32 | 186 | 280 | | | |
| 1940 | [1] 96 | 564 | 854 | 40 | 231 | 352 | 40 | 231 | 352 | [1] 40 | 231 | 352 | | | |
| 1941 | [2] 70 | 404 | 603 | 53 | 305 | 459 | 53 | 305 | 459 | | | | | | |
| 1946 | 3,099 | 21,388 | 30,227 | 1,563 | 10,851 | 15,511 | 1,398 | 9,842 | 14,087 | 1,301 | 9,396 | 13,469 | 97 | 446 | 618 |
| 1947 | 2,388 | 16,755 | 23,429 | 1,105 | 7,920 | 11,406 | 1,021 | 7,344 | 10,587 | 954 | 6,995 | 10,096 | 67 | 349 | 491 |
| 1948 | 2,173 | 15,511 | 22,020 | 332 | 2,435 | 3,454 | 292 | 2,132 | 3,021 | 281 | 2,090 | 2,965 | 11 | 42 | 56 |
| 1949 | 2,138 | 15,258 | 21,632 | 100 | 743 | 1,020 | 51 | 380 | 511 | 48 | 369 | 496 | 3 | 11 | 15 |
| 1950 | 2,022 | 14,344 | 20,336 | 39 | 285 | 370 | 17 | 111 | 132 | 11 | 89 | 102 | 6 | 22 | 30 |
| 1951 | [3] 1,852 | 12,903 | 19,004 | 667 | 4,794 | 6,931 | 641 | 4,625 | 6,688 | [3] 636 | 4,606 | 6,663 | 5 | 19 | 25 |
| 1952 | [4] 1,855 | 12,945 | 19,049 | 175 | 1,240 | 1,705 | 167 | 1,195 | 1,643 | [4] 164 | 1,184 | 1,628 | 3 | 11 | 15 |

| Year | Total domestic trade | | | Coastwise | | | Intercoastal | | | Noncontiguous | | | Inactive | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons |
| 1937 | | | | | | | | | | | | | | | |
| 1938 | | | | | | | | | | | | | 114 | 672 | 1,016 |
| 1939 | | | | | | | | | | | | | 110 | 649 | 983 |
| 1940 | | | | | | | | | | | | | 119 | 697 | 1,059 |
| 1941 | | | | | | | | | | | | | 56 | 334 | 502 |
| 1946 | 165 | 1,009 | 1,424 | 50 | 245 | 348 | 53 | 392 | 561 | 62 | 372 | 515 | 15 | 87 | 126 |
| 1947 | 85 | 576 | 819 | 21 | 130 | 182 | 48 | 364 | 524 | 16 | 82 | 113 | 1,536 | 10,534 | 14,713 |
| 1948 | 40 | 303 | 433 | 5 | 35 | 54 | 30 | 238 | 337 | 5 | 30 | 42 | 1,281 | 8,835 | 12,023 |
| 1949 | 49 | 363 | 509 | 6 | 44 | 64 | 32 | 268 | 375 | 11 | 51 | 70 | 1,841 | 13,076 | 18,566 |
| 1950 | 22 | 174 | 238 | | | | 18 | 159 | 219 | 4 | 15 | 19 | 2,038 | 14,513 | 20,610 |
| 1951 | 26 | 169 | 243 | | | | 15 | 111 | 161 | 11 | 58 | 82 | 1,983 | 14,057 | 19,959 |
| 1952 | 8 | 45 | 62 | | | | 4 | 30 | 43 | 4 | 15 | 19 | 1,185 | 8,106 | 12,070 |
| | | | | | | | | | | | | | 1,680 | 11,704 | 17,343 |

[1] Includes 5 freighters of 31,000 gross tons and 47,000 dead-weight tons loaned to War Department.
[2] Includes 2 freighters of 12,000 gross tons and 18,000 dead-weight tons loaned to Defense Department.
[3] Includes 288 freighters of 1,645,000 gross tons and 2,343,000 dead-weight tons operated by other United States agencies, primarily the Military Sea Transport Service.
[4] Includes 150 freighters of 1,078,000 gross tons and 1,508,000 dead-weight tons operated by other United States agencies, primarily the Military Sea Transport Service.

TABLE VII.—*Employment of United States flag, privately and Government-owned combinations, 1937–41 and 1946–52 (1,000 gross tons and over)*

[Tonnage in thousands]

| Year | Grand total, active and inactive | | | Total active | | | Total foreign trade | | | Overseas foreign | | | Nearby foreign | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons |
| 1937 | 175 | 1,351 | 1,158 | 133 | 1,040 | 900 | 86 | 740 | 667 | 56 | 571 | 535 | 30 | 169 | 132 |
| 1938 | 166 | 1,220 | 1,106 | 120 | 867 | 713 | 66 | 559 | 482 | 39 | 383 | 351 | 27 | 176 | 131 |
| 1939 | 159 | 1,267 | 1,028 | 106 | 852 | 696 | 62 | 590 | 509 | 37 | 405 | 379 | 25 | 185 | 130 |
| 1940 | [1] 123 | 960 | 739 | 93 | 768 | 606 | 56 | 561 | 466 | [1] 32 | 379 | 345 | 24 | 182 | 121 |
| 1941 | [2] 94 | 684 | 541 | 87 | 639 | 513 | 43 | 410 | 348 | 23 | 287 | 265 | 20 | 123 | 83 |
| 1946 | 86 | 760 | 555 | 25 | 234 | 165 | 15 | 170 | 127 | 12 | 139 | 109 | 3 | 31 | 18 |
| 1947 | 95 | 932 | 742 | 58 | 352 | 284 | 32 | 308 | 259 | 15 | 176 | 152 | 17 | 132 | 107 |
| 1948 | 79 | 778 | 605 | 43 | 452 | 369 | 38 | 413 | 343 | 21 | 273 | 229 | 17 | 140 | 114 |
| 1949 | 81 | 848 | 631 | 48 | 511 | 408 | 45 | 484 | 390 | 26 | 331 | 269 | 19 | 153 | 121 |
| 1950 | 79 | 803 | 606 | 45 | 479 | 391 | 41 | 445 | 368 | 25 | 313 | 261 | 16 | 132 | 107 |
| 1951 | [3] 264 | 2,344 | 2,056 | 61 | 683 | 528 | 57 | 649 | 507 | [3] 39 | 505 | 389 | 18 | 144 | 118 |
| 1952 | [4] 260 | 2,354 | 2,053 | 55 | 688 | 486 | 52 | 658 | 468 | [4] 36 | 526 | 359 | 16 | 132 | 109 |

| Year | Total domestic trade | | | Coastwise | | | Intercoastal | | | Noncontiguous | | | Inactive | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons |
| 1937 | 47 | 300 | 233 | 26 | 139 | 88 | 7 | 87 | 87 | 14 | 74 | 58 | 42 | 311 | 238 |
| 1938 | 54 | 308 | 231 | 24 | 130 | 84 | 5 | 42 | 38 | 25 | 136 | 109 | 46 | 453 | 302 |
| 1939 | 44 | 262 | 187 | 25 | 132 | 86 | 5 | 42 | 38 | 14 | 88 | 63 | 53 | 415 | 342 |
| 1940 | 37 | 207 | 140 | 21 | 111 | 70 | ..... | ..... | ..... | 16 | 96 | 70 | 30 | 192 | 132 |
| 1941 | 44 | 229 | 165 | 18 | 86 | 47 | ..... | ..... | ..... | 26 | 143 | 118 | 6 | 22 | 15 |
| 1946 | 10 | 64 | 38 | ..... | ..... | ..... | ..... | ..... | ..... | 10 | 64 | 38 | 61 | 524 | 388 |
| 1947 | 6 | 44 | 25 | ..... | ..... | ..... | ..... | ..... | ..... | 6 | 44 | 25 | 57 | 580 | 458 |
| 1948 | 5 | 39 | 26 | ..... | ..... | ..... | ..... | ..... | ..... | 5 | 39 | 26 | 36 | 326 | 236 |
| 1949 | 3 | 27 | 18 | ..... | ..... | ..... | ..... | ..... | ..... | 3 | 27 | 18 | 33 | 335 | 221 |
| 1950 | 4 | 34 | 23 | ..... | ..... | ..... | ..... | ..... | ..... | 4 | 34 | 23 | 34 | 321 | 214 |
| 1951 | 4 | 34 | 21 | ..... | ..... | ..... | ..... | ..... | ..... | 4 | 34 | 21 | 203 | 1,656 | 1,524 |
| 1952 | 3 | 29 | 18 | ..... | ..... | ..... | ..... | ..... | ..... | 3 | 29 | 18 | 205 | 1,668 | 1,567 |

[1] Includes 1 ship of 21,000 gross tons and 12,000 dead-weight tons loaned to War Department.
[2] Includes 1 ship of 21,000 gross tons and 13,000 dead-weight tons operated by other United States agencies, primarily the Military Sea Transport Service.
[3] Includes 14 ships of 183,000 gross tons and 131,000 dead-weight tons operated by the Military Sea Transport Service.
[4] Includes 11 ships of 170,000 gross tons and 91,000 dead-weight tons operated by the Military Sea Transport Service.

TABLE VIII.—*Employment of United States flag, privately owned combinations, 1937–41 and 1946–52 (1,000 gross tons and over)*

[Tonnage in thousands]

| Date | Grand total, active and inactive | | | Total active | | | Total foreign trade | | | Overseas foreign | | | Nearby foreign | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons |
| 1937 | 169 | 1,249 | 1,070 | 131 | 1,021 | 874 | 84 | 721 | 641 | 56 | 571 | 535 | 28 | 150 | 106 |
| 1938 | 157 | 1,163 | 983 | 118 | 848 | 687 | 64 | 540 | 456 | 39 | 383 | 351 | 25 | 157 | 105 |
| 1939 | 143 | 1,017 | 851 | 100 | 761 | 623 | 56 | 499 | 436 | 34 | 344 | 326 | 22 | 155 | 110 |
| 1940 | 114 | 809 | 627 | 86 | 656 | 519 | 49 | 449 | 379 | 28 | 297 | 278 | 21 | 152 | 101 |
| 1941 | 88 | 582 | 460 | 82 | 560 | 445 | 38 | 329 | 280 | 21 | 226 | 211 | 17 | 103 | 69 |
| 1946 | 41 | 286 | 217 | 17 | 133 | 109 | 7 | 69 | 71 | 7 | 69 | 71 | | | |
| 1947 | 41 | 353 | 291 | 33 | 270 | 237 | 27 | 226 | 212 | 12 | 114 | 119 | 15 | 112 | 93 |
| 1948 | 47 | 411 | 341 | 34 | 303 | 262 | 29 | 264 | 236 | 15 | 154 | 142 | 14 | 110 | 94 |
| 1949 | 44 | 394 | 324 | 37 | 329 | 288 | 34 | 302 | 270 | 18 | 179 | 169 | 16 | 123 | 101 |
| 1950 | 44 | 394 | 324 | 35 | 315 | 279 | 31 | 281 | 256 | 18 | 179 | 169 | 13 | 102 | 87 |
| 1951 | 46 | 439 | 347 | 38 | 363 | 302 | 34 | 329 | 281 | 19 | 214 | 182 | 15 | 115 | 99 |
| 1952 | 45 | 468 | 348 | 37 | 409 | 315 | 34 | 381 | 297 | 21 | 279 | 208 | 13 | 102 | 89 |

| Date | Total domestic trade | | | Coastwise | | | Intercoastal | | | Noncontiguous | | | Inactive | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons |
| 1937 | 47 | 300 | 233 | 26 | 139 | 88 | 7 | 87 | 87 | 14 | 74 | 58 | 38 | 228 | 196 |
| 1938 | 54 | 308 | 231 | 24 | 130 | 84 | 5 | 42 | 38 | 25 | 136 | 109 | 39 | 316 | 295 |
| 1939 | 44 | 262 | 187 | 25 | 132 | 86 | 5 | 42 | 38 | 14 | 88 | 63 | 43 | 256 | 228 |
| 1940 | 37 | 207 | 140 | 21 | 111 | 70 | | | | 16 | 96 | 70 | 28 | 154 | 108 |
| 1941 | 44 | 231 | 165 | 18 | 86 | 47 | | | | 26 | 144 | 118 | 6 | 22 | 15 |
| 1946 | 10 | 64 | 38 | | | | | | | 10 | 64 | 38 | 24 | 152 | 107 |
| 1947 | 6 | 44 | 25 | | | | | | | 6 | 44 | 25 | 8 | 83 | 54 |
| 1948 | 5 | 39 | 26 | | | | | | | 5 | 39 | 26 | 13 | 108 | 79 |
| 1949 | 3 | 27 | 18 | | | | | | | 3 | 27 | 18 | 7 | 63 | 34 |
| 1950 | 4 | 34 | 23 | | | | | | | 4 | 34 | 23 | 9 | 77 | 44 |
| 1951 | 4 | 34 | 21 | | | | | | | 4 | 34 | 21 | 8 | 73 | 44 |
| 1952 | 3 | 28 | 18 | | | | | | | 3 | 28 | 18 | 8 | 59 | 33 |

TABLE IX.—*Employment of United States flag, Government-owned combinations, 1937–41 and 1946–52 (1,000 gross tons and over)*

[Tonnage in thousands]

| Year | Grand total, active and inactive | | | Total active | | | Total foreign trade | | | Overseas foreign | | | Nearby foreign | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons |
| 1937 | 6 | 102 | 68 | 2 | 19 | 26 | 2 | 19 | 26 | | | | 2 | 19 | 26 |
| 1938 | 9 | 156 | 123 | 2 | 19 | 26 | 2 | 19 | 26 | | | | 2 | 19 | 26 |
| 1939 | 16 | 250 | 187 | 6 | 91 | 73 | 6 | 91 | 73 | 3 | 61 | 53 | 3 | 30 | 20 |
| 1940 | [1] 9 | 151 | 111 | 7 | 112 | 87 | 7 | 112 | 87 | [1] 4 | 82 | 67 | 3 | 30 | 20 |
| 1941 | [2] 6 | 103 | 80 | 5 | 81 | 68 | 5 | 81 | 68 | 3 | 61 | 54 | 2 | 20 | 14 |
| 1946 | 45 | 473 | 338 | 8 | 101 | 55 | 8 | 101 | 55 | 5 | 70 | 37 | 3 | 31 | 18 |
| 1947 | 54 | 579 | 451 | 5 | 82 | 47 | 5 | 82 | 47 | 2 | 20 | 14 | 3 | 62 | 33 |
| 1948 | 32 | 367 | 264 | 9 | 149 | 107 | 9 | 149 | 107 | 6 | 119 | 87 | 3 | 30 | 20 |
| 1949 | 37 | 453 | 306 | 11 | 180 | 119 | 11 | 180 | 119 | 8 | 151 | 99 | 3 | 29 | 20 |
| 1950 | 35 | 408 | 282 | 10 | 162 | 111 | 10 | 162 | 111 | 7 | 133 | 91 | 3 | 29 | 20 |
| 1951 | [3] 218 | 1,905 | 1,709 | 23 | 320 | 227 | 23 | 320 | 227 | [3] 20 | 291 | 207 | 3 | 29 | 20 |
| 1952 | [4] 215 | 1,885 | 1,705 | 18 | 276 | 170 | 18 | 276 | 170 | [4] 15 | 247 | 150 | | | |

| Year | Total domestic trade | | | Coastwise | | | Intercoastal | | | Noncontiguous | | | Inactive | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons |
| 1937 | | | | | | | | | | | | | 4 | 83 | 42 |
| 1938 | | | | | | | | | | | | | 7 | 137 | 97 |
| 1939 | | | | | | | | | | | | | 10 | 159 | 114 |
| 1940 | | | | | | | | | | | | | 2 | 38 | 24 |
| 1941 | | | | | | | | | | | | | 0 | 0 | 0 |
| 1946 | | | | | | | | | | | | | 37 | 371 | 281 |
| 1947 | | | | | | | | | | | | | 49 | 497 | 404 |
| 1948 | | | | | | | | | | | | | 23 | 218 | 157 |
| 1949 | | | | | | | | | | | | | 26 | 272 | 186 |
| 1950 | | | | | | | | | | | | | 25 | 244 | 170 |
| 1951 | | | | | | | | | | | | | 195 | 1,563 | 1,480 |
| 1952 | | | | | | | | | | | | | 197 | 1,609 | 1,535 |

[1] Includes 1 ship of 21,000 gross tons and 13,000 dead-weight tons loaned to War Department.
[2] Includes 1 ship of 21,000 gross tons and 13,000 dead-weight tons loaned to War Department.
[3] Includes 14 ships of 183,000 gross tons and 131,000 dead-weight tons operated by the Military Sea Transport Service.
[4] Includes 11 ships of 170,000 gross tons and 91,000 dead-weight tons operated by the Military Sea Transport Service.

TABLE X.—*Employment of United States flag, privately and Government-owned tankers, 1937–41 and 1946–52 (1,000 gross tons and over)*

[Tonnage in thousands]

| Year | Grand total, active and inactive | | | Total active | | | Total foreign trade | | | Overseas foreign | | | Nearby foreign | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons |
| 1937 | 365 | 2,545 | 4,015 | 362 | 2,526 | 3,983 | 52 | 391 | 620 | 12 | 87 | 133 | 40 | 304 | 487 |
| 1938 | 376 | 2,663 | 4,200 | 333 | 2,366 | 3,738 | 68 | 512 | 818 | 28 | 214 | 338 | 40 | 298 | 480 |
| 1939 | 372 | 2,616 | 4,108 | 365 | 2,579 | 4,052 | 27 | 193 | 304 | 8 | 60 | 89 | 19 | 133 | 215 |
| 1940 | 361 | 2,596 | 4,081 | 349 | 2,523 | 3,980 | 38 | 283 | 450 | 8 | 55 | 85 | 30 | 228 | 365 |
| 1941 | 358 | 2,593 | 4,083 | 356 | 2,585 | 4,070 | 70 | 474 | 739 | 12 | 83 | 125 | 58 | 391 | 614 |
| 1946 | 894 | 7,894 | 12,605 | 474 | 4,415 | 7,117 | 268 | 2,643 | 4,263 | 170 | 1,729 | 2,790 | 98 | 914 | 1,473 |
| 1947 | 624 | 5,579 | 8,934 | 448 | 4,215 | 6,806 | 137 | 1,360 | 2,200 | 74 | 749 | 1,211 | 63 | 611 | 989 |
| 1948 | 519 | 4,664 | 7,421 | 465 | 4,325 | 6,932 | 187 | 1,856 | 2,976 | 120 | 1,228 | 1,976 | 67 | 628 | 1,000 |
| 1949 | 487 | 4,413 | 7,051 | 420 | 3,991 | 6,402 | 127 | 1,279 | 2,054 | 60 | 594 | 956 | 67 | 685 | 1,098 |
| 1950 | 467 | 4,291 | 6,862 | 432 | 4,110 | 6,588 | 158 | 1,585 | 2,548 | 83 | 816 | 1,309 | 75 | 769 | 1,239 |
| 1951 | [1] 467 | 4,286 | 6,891 | 442 | 4,170 | 6,715 | 147 | 1,398 | 2,249 | [1] 98 | 922 | 1,484 | 49 | 476 | 765 |
| 1952 | [2] 458 | 4,262 | 6,846 | 427 | 4,084 | 6,571 | 119 | 1,163 | 1,875 | [2] 78 | 774 | 1,250 | 41 | 389 | 625 |

| Year | Total domestic trade | | | Coastwise | | | Intercoastal | | | Noncontiguous | | | Inactive | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons |
| 1937 | 310 | 2,135 | 3,366 | 296 | 2,050 | 3,236 | 6 | 43 | 67 | 8 | 42 | 63 | 3 | 18 | 29 |
| 1938 | 265 | 1,854 | 2,920 | 253 | 1,774 | 2,795 | 6 | 48 | 75 | 6 | 32 | 50 | 43 | 297 | 462 |
| 1939 | 338 | 2,386 | 3,748 | 316 | 2,226 | 3,504 | 15 | 113 | 170 | 7 | 47 | 74 | 7 | 37 | 56 |
| 1940 | 311 | 2,246 | 3,530 | 291 | 2,111 | 3,320 | 12 | 93 | 146 | 8 | 42 | 64 | 12 | 67 | 102 |
| 1941 | 286 | 2,111 | 3,331 | 271 | 2,010 | 3,176 | 4 | 36 | 56 | 11 | 65 | 98 | 2 | 9 | 13 |
| 1946 | 206 | 1,772 | 2,854 | 196 | 1,707 | 2,751 | 1 | 1 | 2 | 9 | 64 | 101 | 420 | 3,472 | 5,481 |
| 1947 | 311 | 2,855 | 4,606 | 299 | 2,752 | 4,445 | 3 | 31 | 50 | 9 | 72 | 111 | 176 | 1,364 | 2,128 |
| 1948 | 278 | 2,469 | 3,956 | 269 | 2,396 | 3,844 | 2 | 18 | 27 | 7 | 55 | 85 | 54 | 321 | 489 |
| 1949 | 293 | 2,712 | 4,348 | 267 | 2,450 | 3,924 | 24 | 246 | 399 | 2 | 16 | 25 | 67 | 418 | 646 |
| 1950 | 274 | 2,525 | 4,040 | 263 | 2,434 | 3,899 | 3 | 27 | 43 | 8 | 64 | 98 | 35 | 178 | 271 |
| 1951 | 295 | 2,772 | 4,466 | 289 | 2,726 | 4,392 | 3 | 27 | 44 | 3 | 19 | 30 | 25 | 110 | 173 |
| 1952 | 308 | 2,921 | 4,696 | 294 | 2,805 | 4,506 | 8 | 73 | 116 | 6 | 43 | 74 | 31 | 175 | 275 |

[1] Includes 3 tankers of 9,000 gross tons and 12,000 dead-weight tons operated by other United States agencies primarily the Military Sea Transport Service.
[2] Includes 3 tankers of 10,000 gross tons and 13,000 dead-weight tons operated by other United States agencies primarily the Military Sea Transport Service.

TABLE XI.—*Employment of United States flag privately owned tankers 1937–41 and 1946–52 (1,000 gross tons and over)*

[Tonnage in thousands]

| Year | Grand total, active and inactive | | | Total active | | | Total foreign trade | | | Overseas foreign | | | Nearby foreign | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons |
| 1937 | 365 | 2,545 | 4,015 | 362 | 2,526 | 3,986 | 52 | 391 | 620 | 12 | 87 | 133 | 40 | 304 | 487 |
| 1938 | 376 | 2,663 | 4,200 | 333 | 2,366 | 3,738 | 68 | 512 | 818 | 28 | 214 | 338 | 40 | 298 | 480 |
| 1939 | 372 | 2,616 | 4,108 | 365 | 2,579 | 4,052 | 27 | 193 | 304 | 8 | 60 | 89 | 19 | 133 | 215 |
| 1940 | 361 | 2,596 | 4,081 | 349 | 2,529 | 3,980 | 38 | 283 | 450 | 8 | 55 | 85 | 30 | 228 | 365 |
| 1941 | 358 | 2,593 | 4,083 | 356 | 2,585 | 4,070 | 70 | 474 | 739 | 12 | 83 | 125 | 58 | 391 | 614 |
| 1946 | 260 | 2,237 | 3,620 | 248 | 2,180 | 3,534 | 68 | 650 | 1,062 | 12 | 114 | 187 | 56 | 536 | 875 |
| 1947 | 350 | 3,214 | 5,213 | 323 | 2,982 | 4,836 | 81 | 807 | 1,313 | 38 | 376 | 609 | 43 | 431 | 704 |
| 1948 | 490 | 4,501 | 7,206 | 465 | 4,325 | 6,932 | 187 | 1,856 | 2,976 | 120 | 1,228 | 1,976 | 67 | 628 | 1,000 |
| 1949 | 461 | 4,292 | 6,874 | 420 | 3,991 | 6,394 | 127 | 1,279 | 2,046 | 60 | 594 | 956 | 67 | 685 | 1,090 |
| 1950 | 443 | 4,173 | 6,685 | 432 | 4,110 | 6,588 | 158 | 1,585 | 2,548 | 83 | 816 | 1,309 | 75 | 769 | 1,239 |
| 1951 | 452 | 4,240 | 6,821 | 439 | 4,161 | 6,703 | 144 | 1,389 | 2,237 | 95 | 913 | 1,472 | 49 | 476 | 765 |
| 1952 | 443 | 4,214 | 6,774 | 424 | 4,077 | 6,558 | 116 | 1,153 | 1,862 | 75 | 764 | 1,237 | 41 | 389 | 625 |

| Year | Total domestic trade | | | Coastwise | | | Intercoastal | | | Noncontiguous | | | Inactive | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons |
| 1937 | 310 | 2,135 | 3,366 | 296 | 2,050 | 3,236 | 6 | 43 | 67 | 8 | 42 | 63 | 3 | 18 | 29 |
| 1938 | 265 | 1,854 | 2,920 | 253 | 1,774 | 2,795 | 6 | 48 | 75 | 6 | 32 | 50 | 43 | 297 | 462 |
| 1939 | 338 | 2,386 | 3,748 | 316 | 2,226 | 3,504 | 15 | 113 | 170 | 7 | 47 | 74 | 7 | 37 | 56 |
| 1940 | 311 | 2,245 | 3,530 | 291 | 2,111 | 3,320 | 12 | 93 | 146 | 8 | 42 | 64 | 12 | 67 | 102 |
| 1941 | 286 | 2,111 | 3,331 | 271 | 2,010 | 3,176 | 4 | 36 | 56 | 15 | 65 | 98 | 2 | 9 | 13 |
| 1946 | 180 | 1,530 | 2,472 | 173 | 1,492 | 2,412 | 1 | 1 | 2 | 6 | 37 | 58 | 12 | 51 | 82 |
| 1947 | 242 | 2,175 | 3,523 | 232 | 2,092 | 3,395 | 3 | 31 | 50 | 7 | 52 | 78 | 27 | 232 | 377 |
| 1948 | 278 | 2,469 | 3,956 | 269 | 2,396 | 3,844 | 2 | 18 | 27 | 7 | 55 | 85 | 25 | 176 | 274 |
| 1949 | 293 | 2,712 | 4,348 | 267 | 2,450 | 3,924 | 24 | 246 | 399 | 2 | 16 | 25 | 41 | 297 | 469 |
| 1950 | 274 | 2,525 | 4,040 | 263 | 2,434 | 3,899 | 3 | 27 | 43 | 8 | 64 | 98 | 11 | 60 | 93 |
| 1951 | 295 | 2,772 | 4,466 | 289 | 2,726 | 4,392 | 3 | 27 | 44 | 3 | 19 | 30 | 13 | 73 | 115 |
| 1952 | 308 | 2,924 | 4,696 | 294 | 2,805 | 4,506 | 8 | 73 | 116 | 6 | 46 | 74 | 19 | 138 | 216 |

TABLE XII.—*Employment of United States flag, Government-owned tankers, 1937–41 and 1946–52 (1,000 gross tons and over)*

[Tonnage in thousands]

| Year | Grand total, active and inactive | | | Total active | | | Total foreign trade | | | Overseas foreign | | | Nearby foreign | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons |
| 1937 | | | | | | | | | | | | | | | |
| 1938 | | | | | | | | | | | | | | | |
| 1939 | | | | | | | | | | | | | | | |
| 1940 | | | | | | | | | | | | | | | |
| 1941 | | | | | | | | | | | | | | | |
| 1946 | 634 | 5,657 | 8,984 | 226 | 2,234 | 3,582 | 200 | 1,992 | 3,200 | 158 | 1,614 | 2,602 | 42 | 378 | 598 |
| 1947 | 274 | 2,365 | 3,721 | 125 | 1,233 | 1,970 | 56 | 553 | 887 | 36 | 373 | 602 | 20 | 180 | 285 |
| 1948 | 29 | 145 | 215 | | | | | | | | | | | | |
| 1949 | 26 | 121 | 177 | | | | | | | | | | | | |
| 1950 | 24 | 118 | 177 | | | | | | | | | | | | |
| 1951 | [1] 15 | 46 | 70 | 3 | 9 | 12 | 3 | 9 | 12 | [1] 3 | 9 | 12 | | | |
| 1952 | [1] 15 | 48 | 72 | 3 | 9 | 12 | 3 | 10 | 13 | [1] 3 | 10 | 13 | | | |

| Year | Total domestic trade | | | Coastwise | | | Intercoastal | | | Noncontiguous | | | Inactive | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons |
| 1937 | | | | | | | | | | | | | | | |
| 1938 | | | | | | | | | | | | | | | |
| 1939 | | | | | | | | | | | | | | | |
| 1940 | | | | | | | | | | | | | | | |
| 1941 | | | | | | | | | | | | | | | |
| 1946 | 26 | 242 | 382 | 23 | 215 | 339 | | | | | | | 408 | 3,420 | 5,399 |
| 1947 | 69 | 680 | 1,083 | 67 | 660 | 1,050 | | | | 3 | 27 | 43 | 149 | 1,132 | 1,751 |
| 1948 | | | | | | | | | | 2 | 20 | 33 | 29 | 145 | 215 |
| 1949 | | | | | | | | | | | | | 26 | 121 | 177 |
| 1950 | | | | | | | | | | | | | 24 | 118 | 177 |
| 1951 | | | | | | | | | | | | | 12 | 37 | 58 |
| 1952 | | | | | | | | | | | | | 12 | 38 | 59 |

[1] Includes 3 ships of 9,000 gross tons and 12,000 dead-weight tons operated by other United States agencies.

Mr. CLARK. In addition, I have with me a series of 8 charts that have been prepared to present graphically this analysis. In utilizing these charts, it must be emphasized that the employment of the fleet varies from month to month, and to be consistent, and to obtain the best comparable data, the employment for each year covered was pegged as of the last day of each calendar year. The committee may desire to insert these charts in the record at this point. I would like to offer that for the record. I want to thank the chairman for his patience with all of these charts.

Senator POTTER. Not at all. They will be made a part of the record at this point.

(The charts referred to are as follows:)

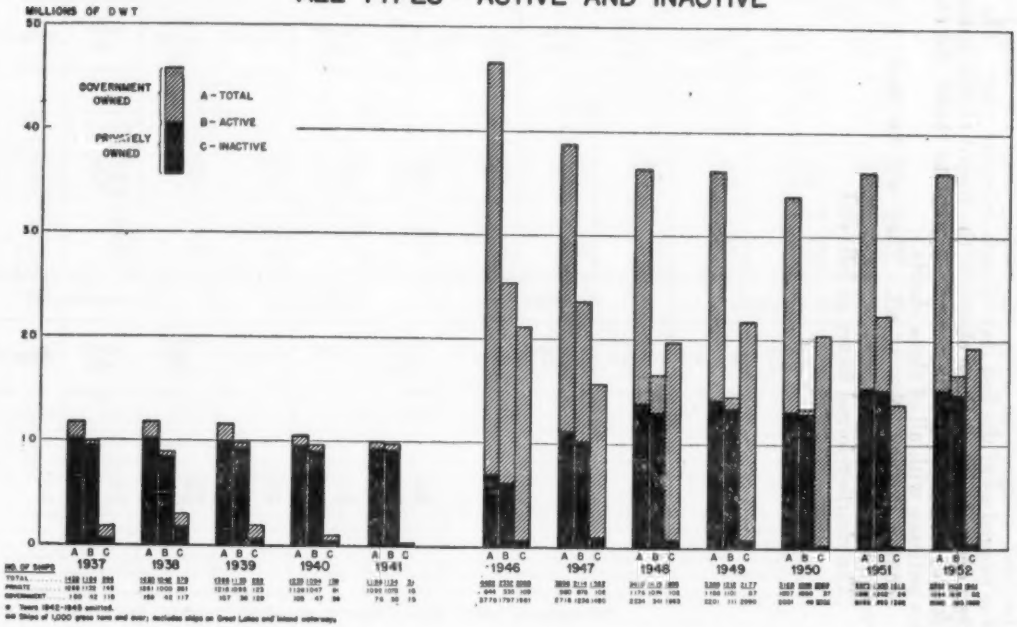
U.S. DEPARTMENT OF COMMERCE - MARITIME ADMINISTRATION

Chart 13

# UNITED STATES FLAG SEAGOING MERCHANT FLEET — 1937-1952*

PRIVATELY OWNED AND MARITIME ADMINISTRATION OWNED SHIPS - NUMBER AND DEADWEIGHT TONS**

## ALL TYPES - ACTIVE AND INACTIVE




* Years 1942-1945 omitted.

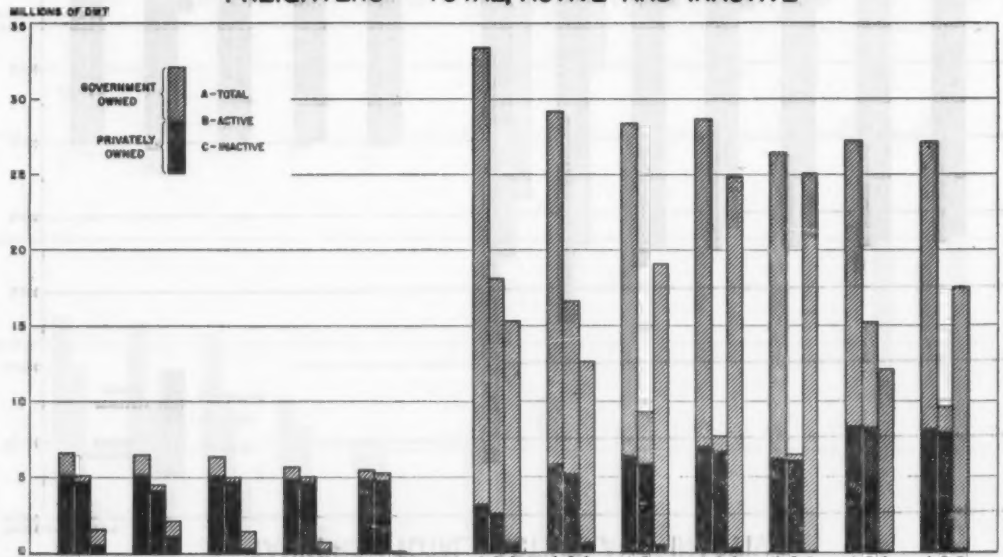
** Ships of 1,000 gross tons and over; excludes ships on Great Lakes and inland waterways

U.S. DEPARTMENT OF COMMERCE – MARITIME ADMINISTRATION Chart 14

# UNITED STATES FLAG SEAGOING MERCHANT FLEET, 1937-1952*

PRIVATELY OWNED AND MARITIME ADMINISTRATION OWNED SHIPS – NUMBER AND DEADWEIGHT TONS**

## FREIGHTERS – TOTAL, ACTIVE AND INACTIVE




* Years 1942-1945 omitted

** Ships of 1,000 gross tons and over, excludes ships on Great Lakes and inland waterways

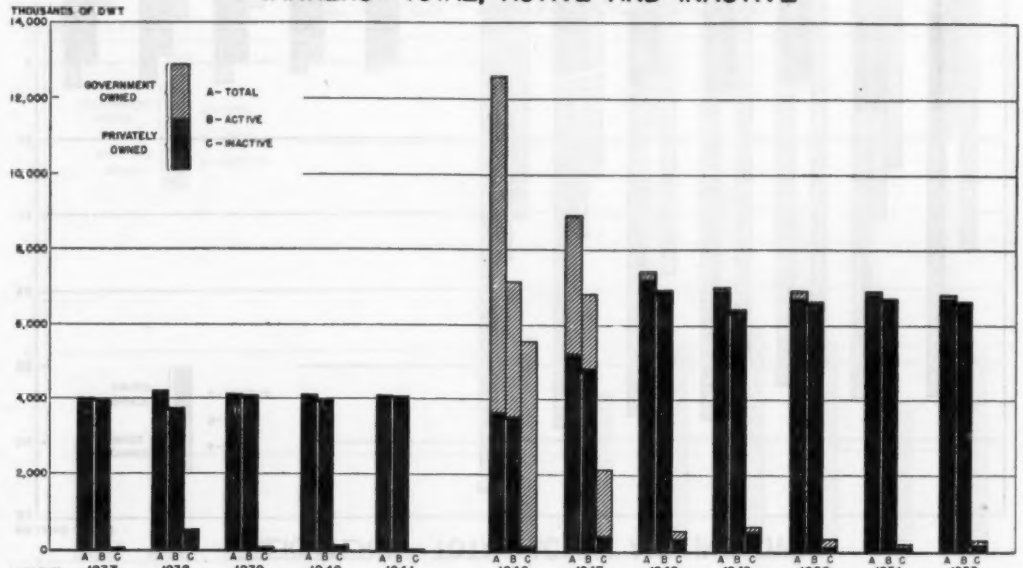
U.S. DEPARTMENT OF COMMERCE - MARITIME ADMINISTRATION

Chart 15

# UNITED STATES FLAG SEAGOING MERCHANT FLEET — 1937-1952*

PRIVATELY OWNED AND MARITIME ADMINISTRATION OWNED SHIPS - NUMBER AND DEADWEIGHT TONS**

## TANKERS - TOTAL, ACTIVE AND INACTIVE




NO. OF SHIPS

| | 1937 | 1938 | 1939 | 1940 | 1941 | 1946 | 1947 | 1948 | 1949 | 1950 | 1951 | 1952 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| TOTAL | 330 362 3 | 378 336 45 | 372 368 7 | 361 350 12 | 330 330 3 | 824 674 150 | 864 668 176 | 513 480 34 | 487 426 61 | 487 432 55 | 487 446 63 | 488 467 21 |
| PRIVATE | 330 362 3 | 378 333 45 | 372 365 7 | 361 349 12 | 330 330 3 | 824 788 36 | 864 805 57 | 480 445 35 | 481 420 61 | 443 432 11 | 443 430 13 | 443 424 19 |
| GOVERNMENT | - - - | - - - | - - - | - - - | - - - | 0 0 114 | 0 0 119 | 33 35 - | 6 6 - | 44 0 44 | 44 16 50 | 45 43 2 |

* Years 1942-1945 omitted.
** Ships of 1,000 gross tons and over; excludes ships on Great Lakes and inland waterways

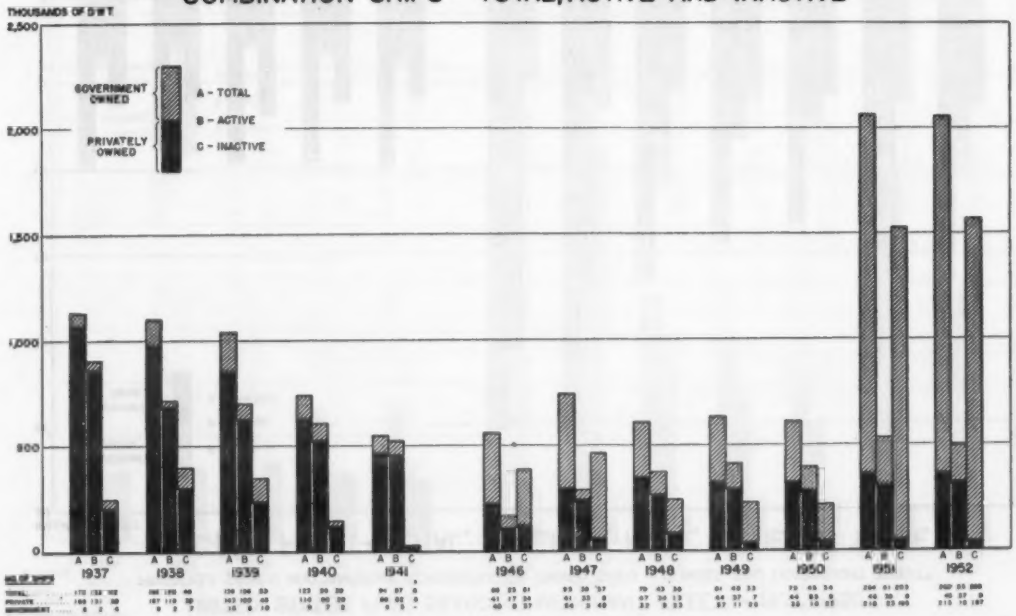
U.S. DEPARTMENT OF COMMERCE - MARITIME ADMINISTRATION

Chart 15

# UNITED STATES FLAG SEAGOING MERCHANT FLEET, 1937-1952 *

PRIVATELY OWNED AND MARITIME ADMINISTRATION OWNED SHIPS - NUMBER AND DEADWEIGHT TONS **

## COMBINATION SHIPS - TOTAL, ACTIVE AND INACTIVE




* Years 1938-1945 omitted.

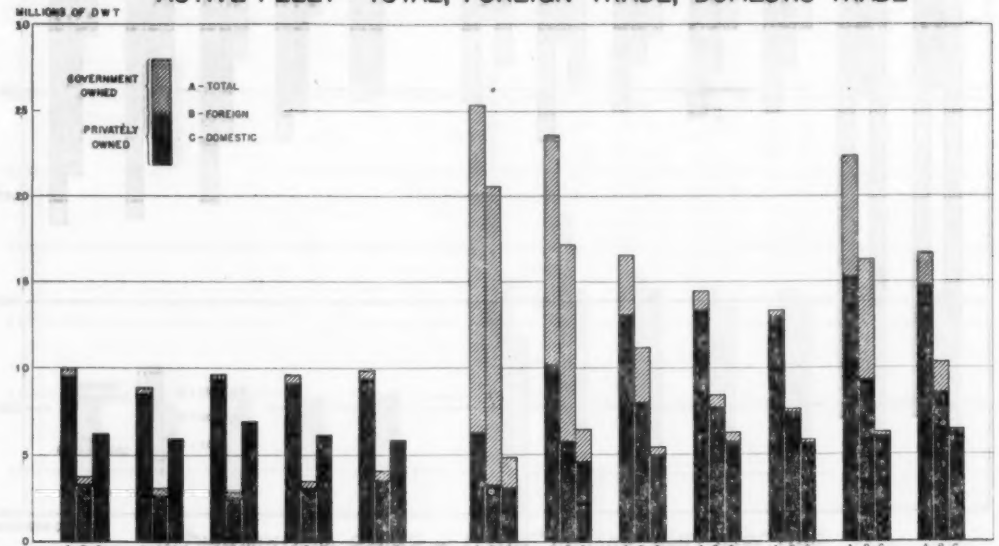
** Ships of 1,000 gross tons and over; excludes ships on Great Lakes and inland waterways.

U. S. DEPARTMENT OF COMMERCE - MARITIME ADMINISTRATION Chart 17

# UNITED STATES FLAG SEAGOING MERCHANT FLEET – 1937-1952*

PRIVATELY OWNED AND MARITIME ADMINISTRATION OWNED SHIPS – NUMBER AND DEADWEIGHT TONS**

## ACTIVE FLEET – TOTAL, FOREIGN TRADE, DOMESTIC TRADE




* Years 1942-1945 omitted.

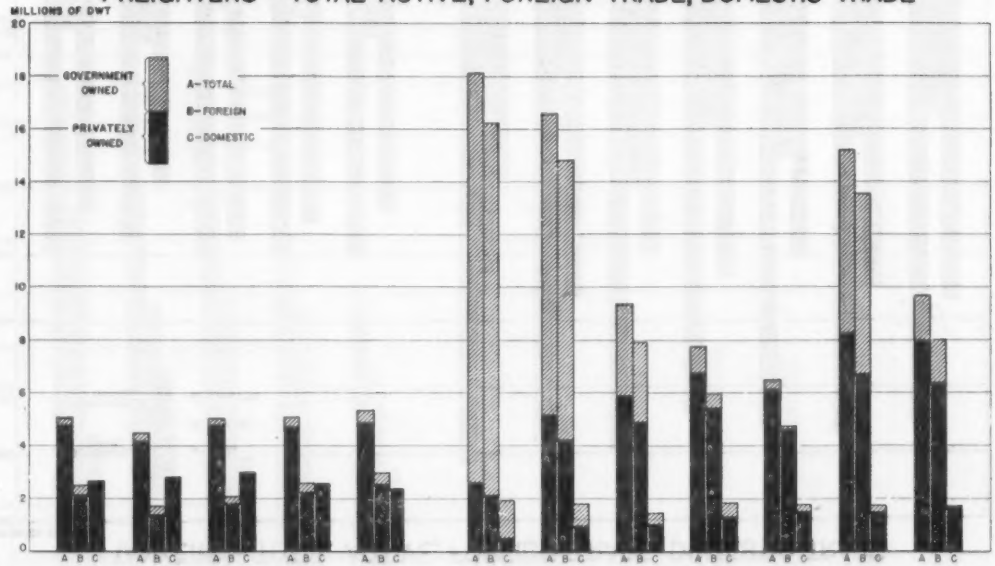
** Ships of 1,000 gross tons and over; excludes ships on Great Lakes and inland waterways.

U.S. DEPARTMENT OF COMMERCE – MARITIME ADMINISTRATION Chart 18

# UNITED STATES FLAG SEAGOING MERCHANT FLEET, 1937-1952*

PRIVATELY OWNED AND MARITIME ADMINISTRATION OWNED SHIPS – NUMBER AND DEADWEIGHT TONS**

## FREIGHTERS – TOTAL ACTIVE, FOREIGN TRADE, DOMESTIC TRADE




| NO. OF SHIPS | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| TOTAL | | | | | | | | | | | | | |
| PRIVATE | | | | | | | | | | | | | |
| GOVERNMENT | | | | | | | | | | | | | |

Years 1942 - 1945 omitted

*Ships of 1,000 gross tons and over, excludes ships on Great Lakes and inland waterways

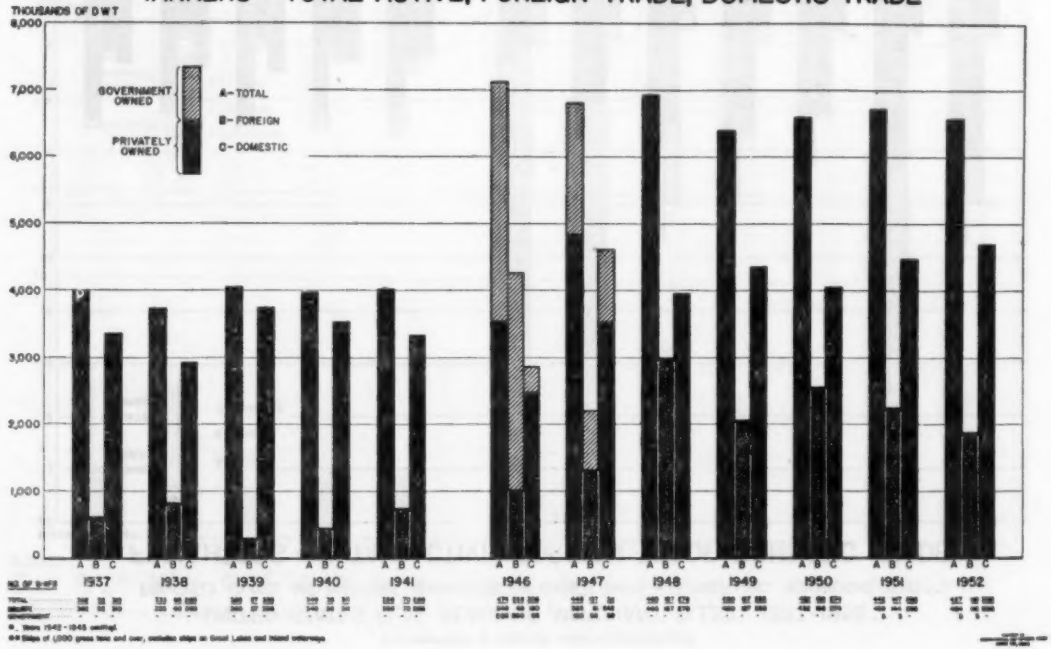
U. S. DEPARTMENT OF COMMERCE - MARITIME ADMINISTRATION

Chart 19

# UNITED STATES FLAG SEAGOING MERCHANT FLEET, 1937-1952

PRIVATELY OWNED AND MARITIME ADMINISTRATION OWNED SHIPS - NUMBER AND DEADWEIGHT TONS

## TANKERS - TOTAL ACTIVE, FOREIGN TRADE, DOMESTIC TRADE

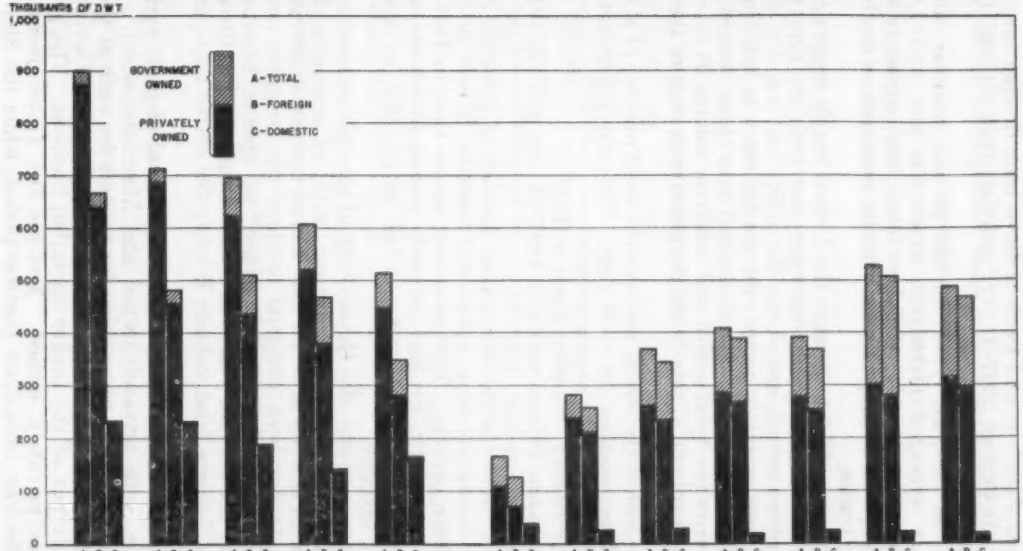


U. S. DEPARTMENT OF COMMERCE - MARITIME ADMINISTRATION Chart 20

# UNITED STATES FLAG SEAGOING MERCHANT FLEET — 1937-1952*

PRIVATELY OWNED AND MARITIME ADMINISTRATION OWNED SHIPS — NUMBER AND DEADWEIGHT TONS**

## COMBINATION SHIPS — TOTAL ACTIVE, FOREIGN TRADE, DOMESTIC TRADE




| NO. OF SHIPS | A | B | C | A | B | C | A | B | C | A | B | C | A | B | C | A | B | C | A | B | C | A | B | C | A | B | C | A | B | C |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| TOTAL | 135 | 88 | 47 | 120 | 66 | 54 | 105 | 52 | 53 | 51 | 14 | 37 | 67 | 43 | 24 | 65 | 13 | 10 | 36 | 32 | 5 | 43 | 38 | 5 | 48 | 45 | 3 | 45 | 41 | 4 |
| PRIVATE | 131 | 84 | 47 | 119 | 64 | 54 | 100 | 46 | 54 | 44 | 7 | 37 | 58 | 36 | 22 | 17 | 7 | 10 | 31 | 27 | 4 | 36 | 29 | 5 | 37 | 34 | 3 | 33 | 31 | 4 |
| GOVERNMENT | 3 | 2 | - | 2 | 2 | - | 5 | 5 | - | 7 | 7 | - | 3 | 3 | - | 8 | 8 | - | 5 | 5 | - | 7 | 7 | - | 11 | 11 | - | 12 | 10 | - |

* Years 1942-1945 omitted.
** Ships of 1,000 gross tons and over; excludes ships on Great Lakes and inland waterways.

Mr. CLARK. Let me say before Mr. Stakem proceeds that since the data contained in the charts covering the employment of the ships comprising the United States-flag merchant marine for the years 1937–41, and 1946–52, is in considerable detail, I would like to summarize the information for the benefit of the committee.

The years 1937–41 and 1946–52 have been divided into 3 periods, namely: (1) prewar, 1937–41; (2) postwar, 1946–49; and (3) Korean emergency, 1950–52.

The total fleet, all types, for the prewar, postwar, and Korean emergency averaged 11,156,000, 39,557,000 and 35,457,000 deadweight tons, respectively. Of these totals, approximately 86 percent, 51 percent, and 49 percent were actively employed in the foreign and domestic trades.

Mr. STAKEM. Chart 13 takes the United States seagoing merchant fleet for the selected years and represents both the privately owned and Maritime owned, and shows the active and inactive ships. The green is your privately owned; the shaded black is Maritime Administration owned. Each year is divided into three colums. Column A represents the total active and inactive, column B represents the active, and column C represents the inactive in each of those selected years.

At the foot of the chart, we have the total number of ships in each of the three columns for each year. This chart demonstrates that in the first period, the prewar period——

Senator POTTER. Which column is that?

Mr. STAKEM. Prewar would be 1937–41, the postwar 1946–49, and the Korean emergency, 1950–52.

By this chart you can trace your number of privately owned and Government-owned ships, active and inactive, in each of those years within those periods. This of course, shows that in 1951, after the Korean emergency, we had privately owned active ships of 1,262, and inactive 26, and Maritime-owned, active, 693, as against 1,392 that were inactive.

This demonstrates also the activity of the Government in the shipping industry immediately postwar, with, of course, a decrease in Government activity after the war, and an increase in private activity.

Chart 14 has been designed to show the freighter employment. Again, it shows the privately owned, as against Maritime-owned. Each year the selected years have been separated into three columns, column A being a total, column B being the active ships, and column C being the inactive.

At the foot of the chart we have the total ships in each of those categories, both privately owned and Maritime-owned.

Chart 15 does the same thing for tankers for each of the same selected years. It shows that in the prewar period the Government was completely out of the tanker operation business. The green represents the privately owned. You see the Government's activity during the war, immediate postwar period, while the Ship Sales Act was coming into being, and then shows very little Government activity in tanker operation after 1948.

Senator POTTER. Do you have any idea of the percentage of tanker ownership that is owned by what you call institutional operators, as against the independent?

Mr. STAKEM. I can supply those for the record. We have the data on which we can do that.

Senator POTTER. I think that would be interesting.

(The material referred to is as follows:)

*Number, gross, and dead-weight tonnage of privately owned United States flag seagoing tankers of 1,000 gross tons and over arranged by major and smaller oil companies as well as independent tanker operators as of June 30, 1953*

[Tonnage in thousands]

PART I—MAJOR OIL COMPANIES

| Name of company | Number ships | Gross tons | Dead-weight tons |
|---|---|---|---|
| Total | 252 | 2,459 | 3,950 |
| Atlantic Refining Co | 13 | 137 | 227 |
| Cities Service Oil Co | 16 | 168 | 268 |
| Cities Service Oil Co | 14 | 147 | 234 |
| Ships, Inc | 2 | 21 | 34 |
| Gulf Oil Corp | 40 | 366 | 594 |
| Richfield Oil Corp | 4 | 36 | 57 |
| Sinclair Refining Co | 11 | 111 | 173 |
| Socony-Vacuum Oil Co | 19 | 189 | 307 |
| Standard Oil Co. of California | 18 | 154 | 243 |
| Standard Oil Co. of California | 14 | 113 | 176 |
| California Tanker Co | 4 | 41 | 67 |
| Standard Oil Co. of Indiana | 12 | 110 | 183 |
| Pan American Petroleum & Transport Co | 11 | 100 | 167 |
| American Oil Co | 1 | 10 | 16 |
| Standard Oil Co. of New Jersey | 49 | 570 | 909 |
| Esso Shipping Co | 49 | 570 | 909 |
| Standard Vacuum Oil Co | 4 | 42 | 66 |
| Sun Oil Co | 23 | 212 | 346 |
| Texas Co | 24 | 224 | 353 |
| Tidewater Associated Oil Co | 17 | 119 | 189 |
| Union Oil Co. of California | 2 | 21 | 35 |
| Union Oil Co. of California | 1 | 10 | 17 |
| Figueroa Tanker Corp | 1 | 11 | 18 |

PART II—SMALLER OIL COMPANIES

| | | | |
|---|---|---|---|
| Total | 13 | 112 | 178 |
| Coastal Oil Co | 1 | 10 | 17 |
| Continental Oil Co | 2 | 20 | 33 |
| Delhi Oil Corp | 1 | 10 | 17 |
| Oil Transfer Corp | 2 | 3 | 5 |
| Paragon Oil Co | 2 | 21 | 34 |
| Pure Oil S. S. Co | 2 | 21 | 33 |
| Southeastern Oil, Inc | 1 | 10 | 17 |
| States Fuel Co | 1 | 10 | 17 |
| Warren Petroleum Corp | 1 | 7 | 5 |

*Number, gross, and dead-weight tonnage of privately owned United States flag seagoing tankers of 1,000 gross tons and over arranged by major and smaller oil companies as well as independent tanker operators as of June 30, 1953*—Con.

[Tonnage in thousands]

PART III—INDEPENDENT OPERATORS

| Name of company | Number ships | Gross tons | Dead-weight tons |
|---|---|---|---|
| Total | 182 | 1,743 | 2,869 |
| Allied Ashland Tankers | 2 | 21 | 33 |
| American Pacific Steamship Co | 2 | 21 | 33 |
| American Trading & Production Corp | 6 | 57 | 94 |
| American Tramp Shipping Development | 1 | 10 | 17 |
| Bernuth, Lembcke Co., Inc | 5 | 43 | 67 |
| Cape Horn Shipping Corp | 1 | 10 | 17 |
| Carras, J. M | 3 | 31 | 50 |
| Cienega Tanker Corp | 4 | 35 | 56 |
| Colonial Navigation Co | 1 | 10 | 17 |
| Dorac Shipping Corp | 1 | 7 | 11 |
| Edison Tanker Co | 1 | 7 | 11 |
| Epiphany Tankers Corp | 1 | 7 | 11 |
| Excello Corp | 1 | 3 | 2 |
| Graham, Warren | 1 | 2 | 2 |
| Hareon Steamship Co | 1 | 10 | 17 |
| Hess, Inc | 3 | 22 | 32 |
| Hillcone Steamship Co., Ltd | 2 | 18 | 29 |
| Hilgard Tanker Corp | 1 | 7 | 11 |
| Hess Tankship Co | 1 | 10 | 17 |
| Independent Tankships, Inc | 6 | 62 | 100 |
| Jenney Manufacturing Co | 1 | 10 | 16 |
| Joshua Hendy Corp | 1 | 8 | 13 |
| Jupiter Steamship Co | 1 | 7 | 11 |
| Keystone Shipping Co | 28 | 265 | 417 |
| Keystone Shipping Co | 1 | 10 | 16 |
| Keystone Tankship Corp | 7 | 73 | 118 |
| Kurz, Chas. & Co., Inc | 8 | 73 | 115 |
| Paco Tankers, Inc | 10 | 91 | 141 |
| Colonial Steamship Corp | 2 | 18 | 27 |
| Lake Tankers Corp | 1 | 1 | 2 |
| Learner Co | 1 | 7 | 11 |
| Ludwig, D. L | 24 | 266 | 435 |
| American Tankers | 2 | 21 | 34 |
| American Tankers Corp., Delaware | 1 | 10 | 16 |
| National Bulk Carriers | 21 | 235 | 385 |
| Marine Corp., Delaware | 1 | 11 | 17 |
| Marine Navigation Co | 1 | 8 | 13 |
| Metro Petrol Shipping Co | 1 | 10 | 16 |
| Moore McCormack Lines [1] | 1 | 10 | 17 |
| National Phoenix Industries | 1 | 10 | 17 |
| National Distillers Products Corp | 2 | 14 | 21 |
| National Shipping & Trading Corp | 1 | 7 | 11 |
| North American Shipping & Trading | 6 | 61 | 100 |
| Olympic Steamship Co | 1 | 7 | 11 |
| Petrol Tank Industries | 1 | 10 | 16 |
| Petroleum Navigation Corp | 1 | 1 | 1 |
| Philadelphia Marine Corp | 1 | 11 | 17 |
| Philadelphia Tankers, Inc. (bareboat charter, Atlantic Refining Co.) | 3 | 56 | 91 |
| Polaris Steamship Co., Inc | 1 | 7 | 11 |
| Potrero Corp | 1 | 10 | 16 |
| Sabine Transportation Co | 8 | 62 | 101 |
| Sea Trade Corp | 2 | 21 | 32 |
| Seaforth Steamship Corp | 1 | 7 | 11 |
| Southern Trading Co | 2 | 20 | 34 |
| Sword Line, Inc | 1 | 11 | 17 |
| Tanker Fourlakes | 1 | 10 | 16 |
| Tanker Sag Harbor Corp | 1 | 10 | 16 |
| Terminal Tanker Industries | 1 | 10 | 17 |
| The Cabins Tanker | 1 | 10 | 17 |
| Traders Steamship Corp | 1 | 7 | 11 |
| Trafalgar Steamship Corp | 2 | 21 | 34 |
| Tramp Shipping & Oil Transportation Corp | 2 | 16 | 27 |
| Trans World Maritime Corp | 1 | 11 | 17 |
| Trinidad Corp | 8 | 82 | 134 |
| Union Carbide & Carbon Corp | 1 | 10 | 16 |
| United States Petroleum Carriers, Inc | 7 | 72 | 117 |

[1] Dry-cargo company.

*Number, gross, and dead-weight tonnage of privately owned United States flag seagoing tankers of 1,000 gross tons and over arranged by major and smaller oil companies as well as independent tanker operators as of June 30, 1953*—Con.

[Tonnage in thousands]

PART III—INDEPENDENT OPERATORS—Continued

| Name of company | Number ships | Gross tons | Dead-weight tons |
|---|---|---|---|
| United Tankers | 3 | 31 | 50 |
| American Viking Corp | 2 | 21 | 33 |
| Arctic Tankers, Inc | 1 | 10 | 17 |
| University of Chicago | 1 | 10 | 17 |
| Ventura Steamship Corp | 1 | 10 | 17 |
| Veritas Steamship Co., Inc | 1 | 8 | 13 |
| Valentine Tanker Corp | 1 | 10 | 17 |
| Webb & Knapp, Inc | 3 | 31 | 50 |
| Western Tankers, Inc | 4 | 43 | 69 |
| Wickliffe Tanker Corp | 1 | 7 | 11 |
| Windsor Navigation Co | 2 | 14 | 21 |
| World Wide Tankers | 1 | 7 | 11 |

Mr. STAKEM. Chart 16 is designed to show the active and inactive combination ships in the selected years. Again the green is your privately owned, while the shaded black is the Maritime Administration-owned ships. The same columns as in the other charts are on this chart showing the total in each year, the active in each, and the inactive in each year, and then the Maritime-owned as against the privately owned.

You will note on this chart we demonstrate the huge number of Government-owned ships that are inactive in the combination class. At the end of 1952, we have 197 of them in the reserve fleet.

Mr. DREWRY. For the record, would you mind giving us an explanation of how a combination ship differs from a freighter? What is the breaking-off point as to the passenger capacity?

Mr. STAKEM. I would have to consult my experts on that. A freighter probably carries about 12 passengers, but when we speak of a combination ship, we are thinking in terms of 250 or more passengers. There are some passengers on freighters. We will be glad to supplement that for the record, Mr. Drewry.

Mr. DREWRY. There are some primarily freight-carrying vessels that have capacity for passengers in between 12 and 250. I wondered what the breaking-off point was.

Mr. STAKEM. I could determine exactly the carrying capacity of most of the combination ships and freighters, grouped into different categories of, say, all that have 12 or under, between 12 and 100, and on up, and submit that for the record.

Senator POTTER. That will be very helpful.

(The material referred to is as follows:)

*Number of United States flag, privately and Maritime Administration owned, combination passenger and freight vessels, active and inactive, arranged by specified passenger capacity groupings as of June 30, 1953*

[Seagoing vessels of 1,000 gross tons and over]

COMBINATION PASSENGER AND CARGO

| Passenger groups | Total | | | Maritime Administration owned | | | Privately owned | | |
|---|---|---|---|---|---|---|---|---|---|
| | Total | Active | Inactive | Total | Active | Inactive | Total | Active | Inactive |
| Total | 257 | 55 | 202 | 215 | 18 | 197 | 42 | 37 | 5 |
| 13 to 100 | 18 | 18 | | | | | 18 | 18 | |
| 101 to 150 | 7 | 7 | | | | | 7 | 7 | |
| 151 to 200 | 3 | 2 | 1 | | | | 3 | 2 | 1 |
| 201 to 250 | 6 | 6 | | [1] 3 | 3 | | 3 | 3 | |
| Over 250 | 223 | 22 | 201 | [2] 212 | 15 | [2] 197 | 11 | 7 | 4 |
| FREIGHTERS | | | | | | | | | |
| Total | 2,630 | 964 | 1,666 | 1,859 | 213 | 1,646 | 771 | 751 | 20 |
| 12 and under | 500 | 451 | 49 | 79 | 38 | 41 | 421 | 413 | 8 |
| None | 2,130 | 513 | 1,617 | 1,780 | 175 | 1,605 | 350 | 338 | 12 |

[1] Owned by Panama Canal Company.
[2] Includes 182 ships originally constructed as cargo vessels but converted to transports, hospital ships, etc.

Mr. STAKEM. Chart 17 takes just the active fleet, with the inactive taken out of this particular study, and shows the total active in the foreign trade and the domestic trade. The green is the privately owned, and the shaded black is the Government owned. The same years that we have in the previous studies are used, 1937–52. Column A represents the total active, column B represents the ships engaged in foreign trade, and column C represents the ships engaged in domestic trade.

We see very little Government-owned ships in the shaded black in the domestic trade.

Senator POTTER. It also points out pretty graphically the fact that domestic trade has fallen down in comparison with the growth of foreign trade.

Mr. STAKEM. Yes. The comparison in the domestic trade, prewar, as compared to postwar, shows quite a falling off of that trade.

Chart 18 is designed to show the active freighters in the foreign and domestic trade in the same selected years. Again, the green here is your privately owned, and the shaded black is Government owned, with column A representing a total for each year, column B the foreign trade, and column C the domestic trade for the freighters.

Senator POTTER. That domestic trade includes intercoastal?

Mr. STAKEM. Yes; and coastal and noncontiguous.

Mr. DREWRY. It does not include Great Lakes?

Mr. STAKEM. It does not. Chart 19 shows the tanker picture in the foreign and domestic trade in the same selected years. Again, the green is privately owned, as against the shaded black being Government-owned. Column A represents the total, column B representing the foreign trade, and column C being domestic trade.

Senator POTTER. There your domestic period has remained fairly healthy, has it not?

Mr. STAKEM. At the bottom of the chart, we have the total private as against the total Government-owned in each of these. We see in 1951 and 1952 very little, just a bare shade of Government operations in the foreign trade, with none in the domestic, and the same with 1952, very little, three tankers, in the foreign trade, as against no Government operation in the domestic.

Chart 20 takes the same study, active foreign and domestic trade as to the combination ships. Again the same selected years are used. Again the green represents the active freighters and the shaded black the Government-owned freighters. The numbers at the bottom indicate you have a total of 133 combination ships in 1937, as against the 55 active in 1952.

Senator POTTER. That has gone down considerably. Mr. Clark, if it is convenient with you to return Monday, I think it would be best to have you complete your testimony at that time. I wish to thank you for coming today, and also for the work that I know you and your staff have put in on this. It has been a very graphic and illuminating discussion of this problem. Rather than to carry on any longer today, I think it would be better if you could come back Monday at 10 o'clock, if that is convenient for you.

The committee will stand in recess until 10 o'clock Monday.

(Whereupon, at 12:10 p. m., the subcommittee recessed to reconvene at 10 a. m. Monday, July 6, 1953.)

# MERCHANT-MARINE STUDIES

**MONDAY, JULY 6, 1953**

UNITED STATES SENATE,
SPECIAL SUBCOMMITTEE ON MARITIME SUBSIDIES OF THE
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
*Washington, D. C.*

The subcommittee met, pursuant to call, in room G–16, Capitol, at 10:15 a. m., Senator Charles E. Potter presiding.

Present: Senator Potter.

Also present: Mr. John M. Drewry, special counsel to the subcommittee.

Senator POTTER. The subcommittee will come to order. I regret, gentlemen, that I was a little delayed in getting here this morning. I do not like to be kept waiting; I am sure no one else does. I apologize for being late.

Friday, Mr. Clark was giving us the benefit of his views concerning the size and composition of the merchant marine—what we have at the present time. He did not complete his testimony. So, we will continue with Mr. Clark this morning.

## STATEMENT OF EARL W. CLARK, DEPUTY MARITIME ADMINISTRATOR—Resumed

Mr. CLARK. Mr. Chairman, I have been asked by Mr. Rothschild, the new Administrator and Chairman of the Board, to express his regrets that he could not be here today.

Senator POTTER. I have not had the opportunity of meeting Mr. Rothschild. He comes to us highly recommended. I hope and am confident he will serve as chairman of the board with great distinction. Extend to him my regards, and I hope we will be able to meet in the very near future.

Mr. CLARK. Thank you. I will bear that message.

At the conclusion of the testimony last Friday, we had finished with certain charts having to do with the employment of the United States merchant fleet in the prewar, postwar, and the Korean emergency period. I would like to summarize for a few moments the general observations which can be drawn from the charts which were presented to the committee.

The prewar period covers the era from 1937 through 1941. The average prewar fleet of 11,156,000 dead-weight tons consisted of approximately 55 percent freighters, 8 percent combination, and 37 percent tankers. During the prewar period an average of 55 percent of the total active and inactive fleet was engaged in the domestic trades. More significant yet, 64 percent of the total active fleet was employed in the domestic trades.

The emphasis there is upon the active group of ships.

Senator POTTER. Could I interrupt you for just a moment? What page are you on?

Mr. CLARK. Page 6 of my testimony. It is at the bottom of the page, beginning with "prewar."

Eighty-nine percent of this fleet was privately owned with 11 percent owned by the Government. In this connection, it should be pointed out that this 11 percent which represents an average for the period has been heavily weighted by the first 3 years, 1937, 1938, and 1939. During the years 1940 and 1941, the Government-owned tonnage had dropped to 9 and 6 percent, respectively, of the total fleet.

The Government was virtually out of the shipping business during this period, and of the approximately 1,100,000 Government-owned tons, only about one-third was actively operated; the remaining tonnage was tied up in inactive status at reserve-fleet sites. By 1941, however, this tonnage had declined to only 127,000 tons by (1) virtue of withdrawals for purchase by or transfer to foreign allied governments, and (2) required tonnage needed to supplement the privately owned fleet.

This was the period, Mr. Chairman, in which we were under a joint resolution of the Congress, attempting in some measure to assist in rehabilitation of certain of the foreign commercial fleets of our allies.

Senator POTTER. And we were selling ships out of our reserve fleet to foreign governments?

Mr. CLARK. That is correct. That sale to foreign governments was ended in 1948, that is, ended to foreign operators under foreign flags, in 1948, by congressional action.

Mr. DREWRY. Before you proceed, Mr. Clark, in your opening statement you mentioned a total of the United States-flag fleet as 1,428 ships in 1937. Then you show a breakdown in the table that follows after that of the number of ships privately owned and Maritime owned at present, showing 1,259 privately owned, and 2,089 Government owned.

Could you get for the record, for comparative purposes, a similar breakdown for that 1937 fleet, so that it can be compared, as directly as possible, with the postwar fleet?

Mr. CLARK. Yes; we will submit that for the record, Mr. Drewry.

(The material referred to is as follows:)

*Number and tonnage of United States flag seagoing merchant vessels of 1,000 gross tons and over as of June 30, 1937, arranged by ownership, vessel type, and year built*

A. SUMMARY

[Tonnage in thousands]

| Year built | Total | | | Combination passenger and cargo | | | Freighters | | | Tankers | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Gross tons | Deadweight tons | Number | Gross tons | Deadweight tons | Number | Gross tons | Deadweight tons | Number | Gross tons | Deadweight tons |
| Total | 1,517 | 8,592 | 12,334 | 185 | 1,460 | 1,204 | 975 | 4,658 | 7,230 | 357 | 2,474 | 3,900 |
| Prior to 1917 | 218 | 1,131 | 1,427 | 55 | 374 | 284 | 116 | 483 | 708 | 47 | 274 | 435 |
| 1917 | 60 | 312 | 488 | 4 | 25 | 25 | 33 | 127 | 201 | 23 | 160 | 262 |
| 1918 | 192 | 972 | 1,470 | 11 | 54 | 46 | 152 | 719 | 1,113 | 29 | 199 | 311 |
| 1919 | 384 | 1,971 | 3,035 | 12 | 74 | 85 | 328 | 1,629 | 2,530 | 44 | 268 | 420 |
| 1920 | 360 | 1,849 | 2,858 | 9 | 69 | 86 | 278 | 1,309 | 2,046 | 73 | 471 | 726 |
| 1921 | 154 | 1,188 | 1,679 | 23 | 257 | 238 | 46 | 263 | 396 | 85 | 668 | 1,045 |
| 1922 | 17 | 130 | 213 | 3 | 41 | 34 | 9 | 55 | 126 | 5 | 34 | 53 |
| 1923 | 14 | 64 | 84 | 7 | 34 | 27 | 3 | 12 | 30 | 4 | 18 | 27 |
| 1924 | 10 | 42 | 32 | 7 | 27 | 12 | 1 | 7 | 8 | 2 | 8 | 12 |
| 1925 | 6 | 31 | 23 | 3 | 19 | 11 | 2 | 11 | 11 | 1 | 1 | 1 |
| 1926 | 5 | 32 | 28 | 4 | 23 | 13 | ---- | ---- | ---- | 1 | 9 | 15 |
| 1927 | 10 | 81 | 77 | 7 | 51 | 28 | ---- | ---- | ---- | 3 | 30 | 49 |
| 1928 | 11 | 114 | 150 | 5 | 55 | 56 | 1 | 8 | 11 | 5 | 51 | 83 |
| 1929 | 10 | 53 | 65 | 5 | 32 | 32 | 2 | 9 | 13 | 3 | 12 | 20 |
| 1930 | 16 | 137 | 196 | 4 | 37 | 32 | ---- | ---- | ---- | 12 | 100 | 164 |
| 1931 | 14 | 154 | 155 | 9 | 109 | 81 | ---- | ---- | ---- | 5 | 45 | 74 |
| 1932 | 15 | 145 | 104 | 13 | 129 | 82 | 2 | 16 | 22 | ---- | ---- | ---- |
| 1933 | 4 | 50 | 32 | 4 | 50 | 32 | ---- | ---- | ---- | ---- | ---- | ---- |
| 1934 | 2 | 10 | 15 | ---- | ---- | ---- | 2 | 10 | 15 | ---- | ---- | ---- |
| 1935 | 2 | 19 | 30 | ---- | ---- | ---- | ---- | ---- | ---- | 2 | 19 | 30 |
| 1936 | 8 | 63 | 104 | ---- | ---- | ---- | ---- | ---- | ---- | 8 | 63 | 104 |
| 1937 | 5 | 44 | 69 | ---- | ---- | ---- | ---- | ---- | ---- | 5 | 44 | 69 |

B. GOVERNMENT OWNED

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total | 230 | 1,363 | 1,988 | 6 | 102 | 68 | 224 | 1,261 | 1,920 | ---- | ---- | ---- |
| Prior to 1917 | 8 | 112 | 81 | 6 | 102 | 68 | 2 | 10 | 13 | ---- | ---- | ---- |
| 1917 | 2 | 10 | 16 | ---- | ---- | ---- | 2 | 10 | 16 | ---- | ---- | ---- |
| 1918 | 48 | 267 | 401 | ---- | ---- | ---- | 48 | 267 | 401 | ---- | ---- | ---- |
| 1919 | 104 | 588 | 896 | ---- | ---- | ---- | 104 | 588 | 896 | ---- | ---- | ---- |
| 1920 | 60 | 336 | 518 | ---- | ---- | ---- | 60 | 336 | 518 | ---- | ---- | ---- |
| 1921 | 8 | 50 | 76 | ---- | ---- | ---- | 8 | 50 | 76 | ---- | ---- | ---- |

C. PRIVATELY OWNED

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total | 1,287 | 7,229 | 10,346 | 179 | 1,358 | 1,136 | 751 | 3,397 | 5,310 | 357 | 2,474 | 3,900 |
| Prior to 1917 | 210 | 1,019 | 1,346 | 49 | 272 | 216 | 114 | 473 | 695 | 47 | 274 | 435 |
| 1917 | 58 | 302 | 472 | 4 | 25 | 25 | 31 | 117 | 185 | 23 | 160 | 262 |
| 1918 | 144 | 705 | 1,069 | 11 | 54 | 46 | 104 | 452 | 712 | 29 | 199 | 311 |
| 1919 | 280 | 1,383 | 2,139 | 12 | 74 | 85 | 224 | 1,041 | 1,634 | 44 | 268 | 420 |
| 1920 | 300 | 1,513 | 2,340 | 9 | 69 | 86 | 218 | 973 | 1,528 | 73 | 471 | 726 |
| 1921 | 146 | 1,138 | 1,603 | 23 | 257 | 238 | 38 | 213 | 320 | 85 | 668 | 1,045 |
| 1922 | 17 | 130 | 213 | 3 | 41 | 34 | 9 | 55 | 126 | 5 | 34 | 53 |
| 1923 | 14 | 64 | 84 | 7 | 34 | 27 | 3 | 12 | 30 | 4 | 18 | 27 |
| 1924 | 10 | 42 | 32 | 7 | 27 | 12 | 1 | 7 | 8 | 2 | 8 | 12 |
| 1925 | 6 | 31 | 23 | 3 | 19 | 11 | 2 | 11 | 11 | 1 | 1 | 1 |
| 1926 | 5 | 32 | 28 | 4 | 23 | 13 | ---- | ---- | ---- | 1 | 9 | 15 |
| 1927 | 10 | 81 | 77 | 7 | 51 | 28 | ---- | ---- | ---- | 3 | 30 | 49 |
| 1928 | 11 | 114 | 150 | 5 | 55 | 56 | 1 | 8 | 11 | 5 | 51 | 83 |
| 1929 | 10 | 53 | 65 | 5 | 32 | 32 | 2 | 9 | 13 | 3 | 12 | 20 |
| 1930 | 16 | 137 | 196 | 4 | 37 | 32 | ---- | ---- | ---- | 12 | 100 | 164 |
| 1931 | 14 | 154 | 155 | 9 | 109 | 81 | ---- | ---- | ---- | 5 | 45 | 74 |
| 1932 | 15 | 145 | 104 | 13 | 129 | 82 | 2 | 16 | 22 | ---- | ---- | ---- |
| 1933 | 4 | 50 | 32 | 4 | 50 | 32 | ---- | ---- | ---- | ---- | ---- | ---- |
| 1934 | 2 | 10 | 15 | ---- | ---- | ---- | 2 | 10 | 15 | ---- | ---- | ---- |
| 1935 | 2 | 19 | 30 | ---- | ---- | ---- | ---- | ---- | ---- | 2 | 19 | 30 |
| 1936 | 8 | 63 | 104 | ---- | ---- | ---- | ---- | ---- | ---- | 8 | 63 | 104 |
| 1937 | 5 | 44 | 69 | ---- | ---- | ---- | ---- | ---- | ---- | 5 | 44 | 69 |

Mr. CLARK. At the termination of sales to the foreign governments, the sales to American operators continued, as you know, until January 15, 1951. So there was a transfer of many ships during that period from Government ownership to private ownership under the American flag, which these charts will reveal.

The postwar period is the period from 1946 to 1949. The postwar fleet had more than trebled in size from its prewar status due, of course, to the huge ship-construction program in the United States during the war. The Government owned 71 percent of our entire merchant marine, and approximately 46 percent of the active—I repeat, active—fleet was Government owned and operated tonnage, as compared with 4 percent in the prewar period. The heaviest concentration of Government owned and operated tonnage occurred during 1946 and 1947, comprised primarily of freighters. It must be remembered that during the immediate period after the war, privately owned tonnage lost during the war had not been replaced to any large extent. There was also a drive to "bring the boys back home." and the privately owned fleet was not sufficient in size to meet these requirements. As the privately owned vessels increased in numbers, the active Government-owned ships declined rapidly until in 1949 only 9 percent of the active tonnage was Government owned.

One of the most significant facts concerning the postwar fleet versus the prewar fleet was the employment shift which occurred. During the prewar period, 64 percent—all types—of the entire active fleet was engaged in the domestic trade, while 36 percent was trading foreign. After the war, the domestic-employed tonnage had declined to 27 percent of the active fleet, while tonnage engaged in the foreign trade had increased from 36 percent to 73 percent.

Senator POTTER. What is the reason for the decline of domestic shipping?

Mr. CLARK. There are many reasons, Mr. Chairman. I think I can brief a few of them. During the first year of the war, the great impact of the war fell upon the domestic ships. The ships owned by the domestic operators were thrown into the war, and as the figures show here, that was the bulk of the fleet at the beginning of the war. They were requisitioned by the Government and thrown into the war effort at an early stage, and later moved into the total fleet requisitioned and operating under the war effort.

At the end of the war, the shifts in the domestic trade changed somewhat by pattern, and the fleet which the domestic operators had was pretty much gone. They have not been able yet to reinstitute that service in any measure with what they had before the war. Of course, in the meantime, you had the railroad transportation picking up a great deal of the load along the coast, and you had a changed pattern in transportation occurring as a result of that war which simply has not been resolved.

Senator POTTER. One of the big reasons that the domestic trade has dropped as much as it has is because the domestic operators who lost their ships during the war have not been able to purchase, new ships, financially able to purchase new ships, and, consequently, much of the trade has been lost to the railroads.

Do you have any opinion as to whether that trade is still there? It would seem to me that water transportation in the coastal trade would be very desirable from all standpoints. It could be done much

cheaper, I assume, than shipping by rail. Has the Maritime Commission, to your knowledge, made any recommendations, as to how to rehabilitate the domestic trade?

Mr. CLARK. Mr. Chairman, I am happy to report to you that the Under Secretary for Transportation has a specific group now devoting practically all its attention to the study of the coastal and intercoastal and contiguous trade problem. What that committee will eventually come up with at the moment is only conjecture. Mr. Murray's office and the Maritime is decidedly interested in making a complete study of this problem to see what can be done to assist the domestic carriers in getting a larger share of the trade, domestic coastal, intercoastal, and contiguous.

Senator POTTER. I would assume, from a military standpoint, because the ships are here, as you stated, that our domestic trade was the first one that was hit by World War II, and while our foreign commerce is very desirable from a commercial and a military standpoint, many times when an emergency strikes, our ships are in foreign ports where they are not accessible for immediate use.

Mr. CLARK. Indeed, yes. I do not know what the military position would be on that. I could only guess. I would certainly feel they would, perhaps, share in your convictions in that regard.

Mr. DREWRY. Can you give us any idea of the status of the study that is being made by the Department at the present time?

Mr. CLARK. On the domestic trade?

Mr. DREWRY. Yes.

Mr. CLARK. No, I cannot. I think that is of only a few weeks' duration. There has been a working group selected to study that domestic problem. I do not think they are too far with it. I know the Commerce Department is very actively interested in pursuing the subject as a part of its overall study.

Along with that, I presume there will be a study of the competitive rates between rail and domestic operators, which has always been a question for fertile debate and discussion. All of those factors would be thrown into this study.

Senator POTTER. Do domestic shippers come under the jurisdiction of the ICC?

Mr. CLARK. Yes, they do, the same as the rates for the rail lines, along the parallel railroad to the coast.

We move to the Korean emergency period, which starts with 1950. Our study runs through 1952. The 3 years in which this country has been engaged in the Korean conflict has witnessed wide fluctuations in the employment of our merchant marine. The average size fleet for the 3 years totaled 35,457,000 deadweight tons. In 1950, the active fleet totaled 13,435,000 deadweight tons. By 1951 this tonnage had increased to 22,444,000, an increase of 67 percent, of the total fleet; 7,173,000 tons, or 32 percent, represented Government-owned tonnage, most of which was withdrawn from the reserve fleet to supplement the privately owned fleet required to transport grain, coal, and other aid cargo. By 1952, the active fleet had been reduced to 16,734,000 tons, of which 1,888,000 tons were still Government-owned. This period demonstrates the real value of the reserve fleet tonnage in times of emergency.

On the average, the domestically employed tonnage has slightly improved since it now represents about 35 percent of the active fleet,

as compared with 27 percent in the postwar period. Tonnage employed in the foreign trade has declined from 73 percent during the postward period to 65 percent during the Korean emergency.

Perhaps the most striking comparison which can be made between the prewar and present fleet is with respect to combination vessels. During the period 1937 to 1941, there were, on the average, 143 combination vessels of 1,116,000 gross tons; 108 of 833,000 gross tons were actively employed; 45 ships of 261,000 gross tons in the domestic trade, and 63 ships of 572,000 gross tons in the foreign trade. As of January 1, 1953, the total combination fleet comprised 260 vessels of 2,354,000 gross tons, but 205 in number of 1,668,000 tons, or 71 percent, tonnagewise, were in inactive status, and includes former combination passengers and cargo vessels and freighters converted to troopships, hospital ships, et cetera, which have not been converted to their original type.

The active comgination fleet today consists of 55 ships totaling 688,000 gross tons, as compared with the average active prewar combination fleet of 168 vessels totaling 833,000 gross tons. Furthermore, the prewar domestically employed fleet has decreased from 45 ships of 261,000 gross tons to only 3 vessels totaling 29,000 tons. The combination ships engaged in foreign trade today have declined from their prewar status of 63 ships of 572,000 gross tons to 52 ships of 658,000 gross tons.

Senator POTTER. When you talk about combination ships, I think the question was asked once before, there is more to it than just the number of passengers that are carried to determine a combination ship; is there not?

Mr. CLARK. Yes. As to these figures, Mr. Chairman, I think I will ask for some help from my assistant. It is my understanding that in the tabulation of these figures, we have not used passenger designation as such. It is either the cargo ships, or the combination cargo and passenger. In other words, the *Constitution* and *Independence* carry cargo as well as passengers, the superliner carries cargo as well as passengers.

While they are predominantly passenger ships, they fall in the combination category.

## STATEMENT OF THOMAS E. STAKEM, SPECIAL ASSISTANT TO THE DEPUTY MARITIME ADMINISTRATOR—Resumed

Mr. STAKEM. All ships that carry more than 12 passengers are listed as combination. Twelve or under are listed in the freighter study.

Mr. CLARK. There is an indication here, Mr. Chairman. In the case of the fall-off of the domestic trade of the United States, and its ability to meet any prewar pattern in that field, you see a like situation here with regard to combination ships. We have in no sense recaptured the prewar position.

Senator POTTER. According to this, there are only three operating today?

Mr. CLARK. Three in domestic trade. But even in foreign trade in combination ships, there has been a falling off.

Mr. DREWRY. What are the names of those ships?

Mr. CLARK. In the domestic trade? I do not know if I have those at hand. Do you have them, Mr. Stakem?

Mr. STAKEM. No.

Mr. CLARK. We will furnish them.

Senator POTTER. That material will be made a part of the record at this point.

(The material referred to is as follows:)

*United States flag combination passenger and cargo ships employed in domestic trade as of April 30, 1953*

| *Name of ship* | *Area employed* |
|---|---|
| Lurline | West coast-Hawaii |
| Denali | West coast-Alaska |
| Baranof | West coast-Alaska |

Senator POTTER. Would you consider it domestic trade from Seattle to Alaska?

Mr. CLARK. Yes; that is noncontiguous. That is in the same category but is designated by the title of "noncontiguous." Coastal is between States, and intercoastal would be the gulf and Pacific, through the canal. If it is a territory of the United States but is not connected, we term it noncontiguous and segregate it in that way.

Mr. DREWRY. As I recall, the Defense Department testimony indicated the present fleet was pretty close numerically to being what was needed as a mobilization nucleus.

Mr. CLARK. You are referring to the combination?

Mr. DREWRY. All categories. Of course, there were some additions needed in each category, too. Here we have, I think—what is it in 1945?

Mr. CLARK. Fifty-five.

Mr. DREWRY. 205 of the combination fleet are now in inactive status. Are the 45 ships——

Mr. CLARK. The 47 were prewar domestic, which has now gone down to 3. The active fleet of 55 combination ships——

Mr. DREWRY. Where do those 55 ships stand in troop capacity or passenger capacity with the total fleet prewar? Have you got that? Isn't that a question of potential troop lift, which is of more importance than the gross tonnage in trying to determine the situation?

Mr. CLARK. Of course, we have a habit, in Maritime, in dealing in terms of numbers of ships and gross tonnage. That can easily be converted over, also, into the actual passenger carriage. That material is available. I can enter that almost momentarily.

Mr. DREWRY. I think it would be of some significance in the record, and also to have more of a tabulated breakdown of ships that are laid up or in the inactive status. Some of those vessels may be properly inactive either because they are no good at all or they might better be disposed of, or because they are troopships which have not been needed but are kept in more or less ready status, or a hospital ship, where it would be desirable to keep it in good shape, and that there be no great significance from the fact that it is inactive except it is just laid up as a potential reserve.

Mr. CLARK. Yes. Would this meet your requirements, Mr. Drewry, if I gave it to you in a three-way breakdown: (1) The private combination ships, active and inactive; (2) the Government category, active and inactive, because we have in the Korean service now some of the combination ships that were broken out of the reserve fleet? We could break it down in that manner and give you the total carrying capacity.

Mr. DREWRY. I think that would do it.

Senator POTTER. That material will be made a part of the record.

(The material referred to is as follows:)

*Total privately owned United States flag seagoing active and inactive combination passenger and cargo ships, including troop transports, of 1,000 gross tons and over as of Apr. 30, 1953*

[Tonnage in thousands]

| Vessel type | Number | Gross tons | Dead-weight tons | Passenger capacity |
|---|---|---|---|---|
| PART 1—SUMMARY ACTIVE AND INACTIVE SHIPS | | | | |
| Total | 42 | 447 | 334 | 12,286 |
| Combination passenger and cargo | 40 | 434 | 326 | 11,896 |
| Combination passenger and cargo refrigerated | 2 | 14 | 9 | 390 |
| Troop transports and hospital ships | | | | |
| PART 2—ACTIVE SHIPS | | | | |
| Total | 36 | 402 | 310 | 9,660 |
| Combination passenger and cargo | 34 | 389 | 302 | 9,270 |
| Combination passenger and cargo refrigerated | 2 | 14 | 9 | 390 |
| Troop transports and hospital ships | | | | |
| PART 3—INACTIVE SHIPS | | | | |
| Total | 6 | 45 | 24 | 2,626 |
| Combination passenger and cargo | [1] 6 | 45 | 24 | 2,626 |
| Combination passenger and cargo refrigerated | | | | |
| Troop transports and hospital ships | | | | |

[1] Includes 5 ships laid up for a considerable period of time and 1 converted to a hospital ship.

NOTE.—Tonnage figures are not additive since the detailed figures have been rounded to the nearest thousand.

*Total Maritime Administration owned United States flag seagoing active and inactive combination passenger and cargo ships, including troop transports, of 1,000 gross tons and over as of Apr. 30, 1953*

[Tonnage in thousands]

| Vessel type | Number | Gross tons | Dead-weight tons | Passenger capacity |
|---|---|---|---|---|
| PART 1—SUMMARY ACTIVE AND INACTIVE SHIPS | | | | |
| Total | 215 | 1,886 | 1,706 | 3,280 |
| Combination passenger and cargo | [1] 33 | 408 | 279 | 3,280 |
| Combination passenger and cargo—refrigerated | | | | |
| Troop transports and hospital ships | [2] 182 | 1,478 | 1,427 | |
| PART 2—ACTIVE SHIPS | | | | |
| Total | 18 | 268 | 168 | 3,280 |
| Combination passenger and cargo | 12 | 193 | 124 | 3,280 |
| Combination passenger and cargo—refrigerated | | | | |
| Troop transports and hospital ships | 6 | 75 | 44 | |
| PART 3—INACTIVE SHIPS | | | | |
| Total | 197 | 1,618 | 1,538 | |
| Combination passenger and cargo | 21 | 215 | 155 | |
| Combination passenger and cargo—refrigerated | | | | |
| Troop transports and hospital ships | 176 | 1,403 | 1,383 | |

[1] Includes 25 ships of 286,000 gross tons and 189,500 dead-weight tons converted to troop transports and hospital ships and not reconverted to their original type and for which passenger capacity is not available.

[2] Freighters converted to troop transports, hospital ships, etc., and not reconverted to their original type and for which passenger capacity is not available.

NOTE.—Tonnage figures are not additive since the detailed figures have been rounded to the nearest thousand.

*Total United States flag seagoing active and inactive combination passenger and cargo ships, including troop transports, of 1,000 gross tons and over as of Apr. 30, 1953*

[Tonnage in thousands]

| Vessel type | Number | Gross tons | Dead-weight tons | Passenger capacity |
|---|---|---|---|---|
| PART 1—SUMMARY ACTIVE AND INACTIVE SHIPS | | | | |
| Total | 257 | 2,333 | 2,039 | 15,566 |
| Combination passenger and cargo | [1] 73 | 841 | 604 | 15,176 |
| Combination passenger and cargo—refrigerated | 2 | 14 | 9 | 390 |
| Troop transports and hospital ships | [2] 182 | 1,478 | 1,426 | |
| PART 2—ACTIVE SHIPS | | | | |
| Total | 54 | 670 | 478 | 12,940 |
| Combination passenger and cargo | 46 | 581 | 426 | 12,550 |
| Combination passenger and cargo—refrigerated | 2 | 14 | 9 | 390 |
| Troop transports and hospital ships | 6 | 75 | 44 | |
| PART 3—INACTIVE SHIPS | | | | |
| Total | 203 | 1,663 | 1,562 | 2,626 |
| Combination passenger and cargo | 27 | 260 | 179 | 2,626 |
| Combination passenger and cargo—refrigerated | | | | |
| Troop transports and hospital ships | 176 | 1,403 | 1,383 | |

[1] Includes 26 ships of 292,100 gross tons and 192,100 dead-weight tons converted to troop transports and hospital ships and now reconverted to their original type and for which passenger capacity is not available.
[2] Freighters converted to troop transports and hospital ships and not reconverted to their original type and for which passenger capacity is not available.

NOTE.—Tonnage figures are not additive, since the detailed figures have been rounded to the nearest thousand.

Mr. CLARK. I would like now to turn from those observations on the previous charts which we have submitted and enter now the area of United States exports and imports and the American-flagship participation in this trade. We have broken it down into two periods, 1937–38, and then again in 1948 through 1952.

The total oceanborne foreign trade of the United States increased from 82,970,000 long tons in 1937 to 161,541,000 long tons in 1952. I have here three charts, one covering exports and imports together, one dealing with only exports, and the third showing the import picture. These three charts break down our ocean business into long tons carried (*a*) by liner services, (*b*) by nonliner services, and (*c*) by tankers. Industrial carrier trade has been segregated for the years 1950–52, the only period for which this type of breakdown is available. The charts show the percent of each type of trade carried in United States flagships as against the percent carried by foreign flagships.

I would like your permission to present the charts which are here. Mr. Stakem, would you go through those? They are identified as charts Nos. 21, 22, and 23.

(See pp. 303–305.)

Mr. STAKEM. Mr. Chairman, this chart 21 is a multiple-purpose chart. It represents the charting for the selected years of the total oceangoing commerce and gives for each year the total trade; that portion of it carried it in the liner service as represented in column B; the nonliner in column C; and for the years 1950, 1951, and 1952 we have broken out the industrial carryings; and then the last column in each year, column E, represents the tanker total, import and export.

The chart is measured in millions of long tons, so that from the chart we can see the increase in the trade picture of the United States,

starting with a little over 80 million long tons in 1937, to a high of over 161 million long tons in 1951, with a little fall-off in 1952.

Senator POTTER. I assume your shaded area is again the Government-owned ships?

Mr. STAKEM. No; the shaded area is the degree of participation of United States ships in the total trade, so that by following column A across, you can see the extent of United States participation in the total import and export. By the same token, in the other columns, we see the extent to which United States-flag ships participated in the liner service, in the nonliner, and in the tanker.

Mr. CLARK. To put it another way, the gray shading represents the United States commerce, oceangoing commerce, which is carried by foreign ships. So that begins to pyramid there, even in 1951 and 1952, which is the Korean period. But, also, there is an increase in the American carryings.

Mr. STAKEM. At the foot of the chart you have under each column in each year the percent carried by the United States as against carried in foreign ships. We note that, for instance, in 1937 foreign ships carried 73 percent of the total import and export, as against 65 percent carried foreign in 1952.

Senator POTTER. This is both export and import?

Mr. STAKEM. This is the total export and import.

In the next chart we will break imports out separately, and chart 23 will be the export picture.

Mr. CLARK. Is there a glare on this chart? Do you see it well?

Senator POTTER. Yes.

Mr. CLARK. I think it should be pointed out here that you have a dip now, in 1952 over 1951, in both your liner and nonliner, which are these 2, as compared with these 2, which is being held up totally by some increase in your tanker operation on the last column.

Mr. STAKEM. I think we should call attention to the fact that in 1937, for instance, in the nonliner cargoes, foreign-flag ships carried 100 percent of it. In 1938 foreign-flag ships carried 95 percent of the total nonliner traffic. The 1952 nonliner traffic was 79 percent carried by the foreign-flag and 21 percent by American-flag ships.

Senator POTTER. How much of that increase that we have now is reflected by our military and foreign-aid shipments?

Mr. STAKEM. This chart excludes all Great Lakes and also the Army-Navy cargoes. By that, I mean where the Army or the Navy would hire a ship on a time-charter basis, that would not be picked up in these figures.

Senator POTTER. What about your foreign aid?

Mr. STAKEM. That would be reflected in here.

Senator POTTER. Do you have any idea as to what percentage that would be of the total commerce?

Mr. STAKEM. I think by reference to a schedule that has been put in the record before, we have the aid cargo shown, at least for 1951 and 1952. In 1951, we had a total of 14,051,900 tons of cargo moving by MSA or paid by MSA. In 1952, we had 8,924,700 tons of that. It represents a sizable picture.

Senator POTTER. The reason I asked is that I was wondering if the 50 percent requirement for shipment of foreign-aid cargo in American bottoms might have resulted in bringing about that picture?

Mr. STAKEM. The higher percentages of participation can be traced to the 50 percent figure.

Mr. CLARK. From here to here is, in great measure, by the cargo you have just described, which is now falling off. I think, had it not been for that 50–50 provision which, as you know, we supported, you would find the grey column here eating way down into this area here.

I think it did a great deal for the American merchant marine, the fact that the 50 percent clause was in there.

Mr. DREWRY. Mr. Stakem, before you leave that chart, can you give any explanation of that little 5 percent participation in nonliner traffic in 1938, as against that zero in 1937? Was that the opening bud of the tramp industry?

Mr. STAKEM. I think that is, Mr. Drewry. I do not have any specific explanation of it, nor the particular cargoes that would be involved in that 5 percent. I think we can obtain that and submit it for the record.

Mr. CLARK. I seldom venture a guess in this kind of testimony, Mr. Chairman, but I would venture a slight one here. That was the period of lend-lease that was moving in there very rapidly. I imagine what little you had might have some bearing on it, but I do not offer that as a firm statement. It is very small.

Mr. STAKEM. Chart 22 is set up exactly the same way, but deals with the import commerce. Again, the columns are set up to show the participation in imports. We see that our imports move from a little less than 40 million long tons in 1937 to a high of 90 million long tons in 1952, and that there has been an increase every year in that import picture, with the exception of a fall-off in 1938.

This is the total trade in the year in column A, column B representing the liner, column C representing the nonliner, and column E the tanker trade. Again, in 1937, we see that in the nonliner traffic, the foreign-flag ships carried 100 percent of the total trade. In 1938, the nonliner foreign ships carried 99 percent, as against the 1 percent carried by American-flag ships.

Senator POTTER. The significant thing about that chart is the fact that the biggest percentage of your importation increase has been by tankers, while your liner service and your nonliner has dropped, as compared with—what is that, 1949?

Mr. STAKEM. 1937, 1938, 1948, and 1949.

Senator POTTER. It has dropped from the 1948 and 1949 periods?

Mr. STAKEM. Yes. Tracing the liner through the years, in 1937 it represents probably around 19 million long tons, and the liner service in 1952 falls, I would say, at about 17. So there is a fall-off there.

Senator POTTER. Actually, the total import commerce has not increased much, with the exception of tankers. You take your 1952 chart and compare it with your 1937 chart and you can see that.

Mr. STAKEM. Yes. If you compare your tankers to 1937, you had a little over 10 million long tons in imports by tankers, against the fifty-odd million in 1952.

Chart No. 23 represents the export commerce of the United States for the same years. Again, we show the participation in foreign, as against American carriage of cargo. We have it broken down into the total, liners, nonliners and tankers. We again see, in the export

of nonliner cargoes, that the foreign-flag ships carried 100 percent in 1937, 98 percent in 1938, 46 percent in 1948, 71 in 1949, 81 in 1950, 62 in 1951, and 77 percent in 1952.

Mr. CLARK. Before we leave that chart, may I observe that your observation a moment ago was a very good one and is reflected a little bit in reverse here when you come to the export story. Here, you see in the export picture the tanker is not predominant at all. When you come to the export picture in 1951, you have a total increase here in great measure due to the programs you have indicated a moment ago, the Government programs.

Senator POTTER. A lot of your tankers must go back light a lot, do they not?

Mr. CLARK. Yes, that is true.

Senator POTTER. You do not want to let some of the Members of Congress who represent oil States see that chart.

Mr. CLARK. I believe that finishes this series.

An examination of the total export and import chart shows that the amount of such trade carried by liners ranges from a low of 29,150,000 long tons in 1938 to a high of 49,095,000 long tons in 1949. The participation of United States liner ships in this traffic ranges from a low of 37 percent to a high of 52 percent, but averaging about 44 percent.

The total tanker trade shows a constant upward trend from a low of 28,926,000 long tons in 1937, to 61,699,000 long tons in 1952. United States-flag tankers participation in this trade in prewar years was low. In the postwar years, it reached a high of 66 percent in 1949, and has since been falling off year by year, until 1952, when it dropped to 38 percent.

The nonliner cargo trade, as illustrated by these charts, shows an interesting picture. In 1937, nonliners carried 33 percent of the total dry cargo export and import ocean trade, and all of this business was carried in foreign ships. In 1938, United States-flag nonliners carried only 2 percent of the total dry cargo export and import ocean trade.

Mr. DREWRY. I think 5 percent was mentioned in 1938 by Mr. Stakem, Mr. Clark.

Mr. CLARK. Mr. Drewry, you have picked us up there. My chart shows, and my analysis shows, 2 percent.

Senator POTTER. Far be it from us to quibble over a few percents.

Mr. CLARK. We will correct that.

In the postwar year of 1948, during the United States Government assistance programs, our nonliner carriers faired much better, carrying 28 percent of the dry cargo total business, as opposed to 25 percent of such trade carried by his foreign competitor. In 1949 and 1950, the American nonliner carrier again lost out to his foreign competitor, carrying only 8 percent and 4 percent respectively of the total dry cargo ocean trade, while his foreign competitor carried 24 percent and 32 percent, respectively.

The "respectively" refers to the years 1949 and 1950.

Senator POTTER. Is that mostly British-flag service?

Mr. CLARK. It varies, Senator. It depends on whether we are talking about the carrying of oil, package freight or bulk cargo. If you add all of them together, I do not know which one at the moment would be the dominant carrier; do you know?

Mr. STAKEM. I think we could get our principal competitors identified for these respective years.

Senator POTTER. I think it would be a good idea.

Mr. CLARK. The Panamanian flag is heavy in bulk carriage. I believe the Panamanian flag and the Liberian flag are also somewhat heavy in the tanker situation. If you desire, we would be glad to present a chart on that.

Senator POTTER. Do you have the information as to the ownership of the ships that are under Panamanian registry, the American ownership?

Mr. CLARK. We published a booklet last year called the Merchant Fleets of the World, which we would be glad to supply to your committee, which I believe—Mr. Stakem, you correct me on this—breaks that down by all flags.

Senator POTTER. I wonder if that practice is growing, rather than decreasing, of American operators registering under a foreign flag?

Mr. CLARK. I would say it is growing. Of course, during a national emergency, as declared by the President, they cannot transfer to foreign flag under section 902 of the 1936 act without approval.

We have permitted, during this emergency period transfers to foreign flag very, very sparingly.

Senator POTTER. Do they have to get permission from our Maritime Board?

Mr. CLARK. Yes, from the Maritime Administration. I might take a minute there. It is an interesting question and one in which many people are interested. We do not transfer any ships, we do not permit a transfer of ships to a foreign flag without quite a series of safeguards, because of the fact that we are in a national emergency.

Those safeguards involve clearance with the State Department on overall policy with respect to the specific transfers that are being recommended. They involve a clearance with the Defense Establishment as to whether the type of ship is such as, in any way, is needed for the defense of the Nation. We also place a great many restrictions around those transfers, such as trading restrictions, for example, behind the Iron Curtain.

Those ships all must be under a condition that the United States can get them back at any time it calls upon them to make them available again to the United States for defense purposes.

As I say, we have been very sparing in transferring these ships. As a part of that category is the so-called trade out and build. If an operator, in order to raise funds to create new and fast, efficient tonnage, desires to trade out some of the older ships and to use that money to upgrade the American merchant marine, our policy permits that to be done. For a large tanker, we have permitted approximately 4 Libertys or two T–2's. That is based upon an equivalent carrying capacity of the new ship to be built, as against the ships that we are trading out.

Again, through, the ships that are int the trade out and build program are also available to this country for requisitioning purposes in case of war.

I merely offer those, Mr. Chairman, to indicate we are not in a program of letting our ships go foreign, except under very reasonable policies, and such as do go, are available for recapture as needed.

Senator POTTER. When an operator applies to register a ship foreign, just what arguments do you accept? I assume the main reason for them to register under a foreign flag is that the cost of operation is greatly reduced, and the cost of labor is greatly reduced. Labor costs are a great factor. Just what arguments do you consider when you allow an operator to register foreign?

Mr. CLARK. The labor costs that you mentioned, of course, are a sizable item in the cost of operating a ship. However, I am sure if it was merely placed on the basis that we cannot operate the ship at this moment under American flag, and that was all of the proposal, we would not allow the ship to be transferred. The economic use of a ship varies by periods. It may be up here today, and it may be down here tomorrow. That is particularly true in the bulk trades, in the nonliner trades.

So, if we make a decision today that a ship is not operating completely economically, it is not an indication that 2 months from now it may not be operating very well. So the arguments have to be something along this line:

First of all, the ship is of such age, of such obsolescence, that it is not particularly important to the American merchant marine, that if it is not transferred, it will probably be scrapped, or an indication that the ship is just not going to be on the high seas anyway, and that here is a chance to at least allow the American operator to get out from under his investment, if it is not going to be operated, anyway, and if it is not of significance in competition foreign with our own ships.

Senator POTTER. That is what I was going to ask you, to see whether it is in competition with our own.

Mr. CLARK. We always go into the competitive factor. We check its military use. We do a great deal of checking on the flag to which it is being transferred.

We also attempt, wherever we can, to get new tonnage built in lieu of the ship going out. The new Maritime Administration came into being in 1950, and immediately placed these safeguards on these transfers. We have tried to allow these ships to leave this country only upon extremely well-justified bases, and then only that we can recapture them and make them available again if we need them.

Senator POTTER. I think it might be interesting to have as a part of the record the ships that you have allowed to assume a foreign registration.

Mr. CLARK. We shall be pleased to do that.

Senator POTTER. For the postwar period.

(The material referred to is as follows:)

*Statement showing by type, number, and gross tonnage United States privately owned and Government owned vessels of 1,000 gross tons and over approved, pursuant to secs. 9 and/or 37, shipping act 1916, as amended, for transfer to foreign ownership and/or registry for fiscal years 1946 to and including 1953*

| Type | July 1, 1945–June 30, 1946 | | July 1, 1946–June 30, 1947 | | July 1, 1947–June 30, 1948 | | July 1, 1948–June 30, 1949 | | July 1, 1949–June 30, 1950 | | July 1, 1950–June 30, 1951 | | July 1, 1951–June 30, 1952 | | July 1, 1952–June 30, 1953 | | July 1, 1945–June 30, 1953 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number vessels | Gross tonnage | Number vessels | Gross tonnage | Number vessels | Gross tonnage | Number vessels | Gross tonnage | Number vessels | Gross tonnage | Number vessels | Gross tonnage | Number vessels | Gross tonnage | Number vessels | Gross tonnage | Number vessels | Gross tonnage |
| PART I | | | | | | | | | | | | | | | | | | |
| Privately owned vessels of 1,000 gross tons and over: | | | | | | | | | | | | | | | | | | |
| (a) Tankers | 10 | 58,618 | 34 | 200,298 | 27 | 192,374 | 15 | 122,285 | 8 | 82,942 | 13 | 103,032 | 10 | 78,477 | 14 | 88,302 | 131 | 926,328 |
| (b) Cargo | 92 | 356,970 | 127 | 516,964 | 40 | 189,689 | 29 | 129,339 | 14 | 50,140 | 23 | 81,698 | 26 | 120,070 | 10 | 74,012 | 370 | 1,518,882 |
| (c) Cargo/passenger | 1 | 10,375 | 9 | 54,855 | | | 3 | 25,477 | 1 | 3,088 | 1 | 8,582 | 2 | 10,086 | 3 | 13,274 | 20 | 125,737 |
| (d) Miscellaneous (schooners, dredges, barges, yachts, etc.) | 1 | 1,129 | 2 | 4,294 | 4 | 7,300 | 5 | 7,778 | 5 | 8,703 | 3 | 5,426 | 16 | 30,752 | 5 | 10,732 | 41 | 76,114 |
| (e) New construction by United States shipyards for foreign flag operation | | | | | | | | | | | 6 | 177,850 | 27 | 689,400 | 5 | 181,750 | 38 | 1,049,000 |
| Total | 104 | 427,092 | 172 | 776,411 | 80 | 389,363 | 52 | 284,879 | 28 | 144,873 | 46 | 376,588 | 81 | 928,785 | 37 | 368,070 | 600 | 3,696,061 |
| PART II | | | | | | | | | | | | | | | | | | |
| Government-owned vessels of 1,000 gross tons and over: | | | | | | | | | | | | | | | | | | |
| (a) Dry cargo | 29 | 78,500 | 824 | 5,153,006 | 233 | 1,399,272 | 16 | 81,053 | 16 | 109,396 | 1 | 7,133 | | | 5 | 29,975 | 1,124 | 6,858,335 |
| (b) Tankers | | | 80 | 759,532 | 159 | 1,524,894 | 1 | 1,139 | 1 | 10,448 | | | | | | | 241 | 2,296,013 |
| (c) Miscellaneous (tugs, barges, yachts, etc.) | | | 3 | 5,896 | 3 | 15,504 | 2 | 6,300 | | | | | | | | | 8 | 27,700 |
| Total | 29 | 78,500 | 907 | 5,918,434 | 395 | 2,939,670 | 19 | 88,492 | 17 | 119,844 | 1 | 7,133 | | | 5 | 29,975 | 1,373 | 9,182,048 |

*Statement showing by nationality, number, and gross tonnage United States privately owned and Government-owned vessels of 1,000 gross tons and over approved, pursuant to sec. 9 and/or 37, Shipping Act, 1916, as amended, for transfer to foreign ownership and/or registry for fiscal years 1946 to and including 1953*

| Nationality | July 1, 1945–June 30, 1946 | | July 1, 1946–June 30, 1947 | | July 1, 1947–June 30, 1948 | | July 1, 1948–June 30, 1949 | | July 1, 1949–June 30, 1950 | | July 1, 1950–June 30, 1951 | | July 1, 1951–June 30, 1952 | | July 1, 1952–June 30, 1953 | | July 1, 1945–June 30, 1953 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number vessels | Gross tonnage | Number vessels | Gross tonnage | Number vessels | Gross tonnage | Number vessels | Gross tonnage | Number vessels | Gross tonnage | Number vessels | Gross tonnage | Number vessels | Gross tonnage | Number vessels | Gross tonnage | Number vessels | Gross tonnage |
| PRIVATELY OWNED | | | | | | | | | | | | | | | | | | |
| Argentine | | | | | | | | | | | | | | | | | 19 | 76,451 |
| Belgian | 3 | 15,157 | 6 | 32,852 | 7 | 18,542 | 3 | 9,900 | | | | | | | | | 1 | 6,679 |
| Brazilian | | | 1 | 6,679 | | | | | | | | | | | | | 30 | 112,949 |
| British | 15 | 72,397 | 2 | 4,219 | 3 | 5,784 | | | | | 7 | 18,972 | 3 | 11,577 | | | 6 | 21,772 |
| Canadian | | | 4 | 5,667 | | | | | | | | | | | 2 | 16,105 | 29 | 81,759 |
| Chilean | 5 | 18,457 | 5 | 16,581 | 6 | 18,355 | | | 2 | 3,151 | 3 | 7,250 | 6 | 11,662 | 2 | 6,303 | 5 | 26,670 |
| Chinese | 4 | 16,222 | | | | | | | | | 1 | 10,448 | | | | | 35 | 127,761 |
| Colombian | 22 | 77,751 | 13 | 50,010 | | | | | | | | | | | | | 1 | 1,444 |
| Costa Rican | | | | | | | | | | | 1 | 1,444 | | | | | 1 | 1,378 |
| Cuban | | | | | | | | | | | 1 | 1,378 | | | | | 4 | 5,718 |
| Danish | | | | | | | 3 | 4,689 | | | | | | | | | 4 | 14,767 |
| Ecuadorian | | | 1 | 9,154 | 1 | 1,275 | | | 2 | 4,338 | | | | | 1 | 1,029 | 1 | 1,057 |
| Finnish | | | | | | | | | | | | | | | | | 7 | 31,618 |
| French | | | | | | | | | | | | | 1 | 2,887 | 1 | 1,057 | 18 | 44,720 |
| German | 13 | 31,715 | 1 | 6,986 | 5 | 21,745 | | | | | | | | | | | 1 | 9,100 |
| Greek | | | | | | | 4 | 11,683 | | | 1 | 1,322 | | | | | 3 | 16,328 |
| Honduran | | | | | | | | | | | 1 | 9,100 | | | | | 47 | 171,230 |
| Icelandic | | | | | | | | | | | | | | | | | 1 | 4,724 |
| Indonesian | 12 | 65,305 | 21 | 63,214 | 1 | 1,184 | 4 | 11,546 | 2 | 9,626 | | | 1 | 6,702 | | | 1 | 8,582 |
| Israeli | | | | | 1 | 4,724 | | | | | 3 | 10,697 | 6 | 19,284 | | | 5 | 22,868 |
| Italian | | | | | | | | | | | | | | | | | 27 | 141,226 |
| Japanese | | | | | | | | | | | 1 | 8,582 | | | | | 4 | 14,638 |
| Liberian | | | 13 | 71,598 | 5 | 30,232 | 5 | 17,280 | 3 | 14,363 | 1 | 2,819 | 1 | 5,686 | | | 20 | 363,655 |
| Mexican | | | | | | | | | 2 | 10,911 | | | 2 | 11,205 | | | 12 | 61,933 |
| New Zealand | 1 | 1,316 | 2 | 13,665 | 1 | 6,958 | 1 | 2,364 | | | | | 2 | 8,329 | 2 | 6,109 | 1 | 3,088 |
| Nicaraguan | | | | | | | | | 2 | 3,952 | 4 | 43,747 | 10 | 134,620 | 6 | 165,288 | 1 | 2,400 |
| Norwegian | | | 1 | 2,400 | | | | | 1 | 3,088 | 5 | 33,678 | | | | | 5 | 23,341 |
| Panamanian | | | 4 | 20,599 | | | | | | | | | | | | | 237 | 2,001,685 |
| Peruvian | 23 | 114,477 | 77 | 391,500 | 43 | 258,944 | 22 | 156,799 | 11 | 77,960 | 11 | 204,411 | 1 | 2,742 | | | 3 | 6,952 |
| Philippine | 1 | 1,793 | | | | | | | 1 | 1,600 | | | 36 | 671,490 | 14 | 126,104 | 6 | 18,264 |
| Portuguese | 3 | 7,724 | 2 | 7,448 | 1 | 3,092 | | | | | | | 1 | 3,559 | | | 1 | 1,200 |
| Sherifian (Moroccan) | | | 1 | 1,200 | | | | | | | | | | | | | 1 | 4,986 |
| Swedish | | | 1 | 4,986 | | | | | | | | | | | | | 7 | 22,159 |
| Swiss | | | 6 | 17,996 | 1 | 4,163 | | | | | | | | | | | 4 | 15,447 |
| Thailand | 1 | 1,938 | 3 | 13,509 | | | | | | | | | | | | | 1 | 2,726 |
| Turkish | | | | | | | | | | | | | | | | | 4 | 24,824 |
| Uruguayan | | | 1 | 5,236 | 1 | 3,704 | | | 2 | 15,884 | 1 | 2,726 | | | | | 1 | 6,997 |
| Venezuelan | 1 | 2,840 | 1 | 6,997 | | | | | | | | | | | | | 9 | 26,747 |
| | | | 1 | 2,400 | 2 | 5,800 | | | | | 2 | 6,850 | 1 | 3,425 | 2 | 5,432 | | |

| | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Yugoslovian | | | 1 | 6,509 | | | | | | | | | | | | | | | 1 | 6,509 |
| Sale alien and/or delivery | 104 | 427,092 | 168 | 761,405 | 78 | 384,502 | 42 | 214,261 | 28 | 144,873 | 43 | 363,424 | 71 | 893,168 | 30 | 327,427 | 564 | 3,516,152 |
| Departure from United States ports[1] | | | 4 | 15,006 | 2 | 4,861 | 10 | 70,618 | | | 3 | 13,164 | 6 | 16,407 | 5 | 28,230 | 30 | 148,286 |
| Abandonment to alien underwriters | | | | | | | | | | | | | 3 | 12,000 | 1 | 5,170 | 4 | 17,170 |
| | | | | | | | | | | | | | 1 | 7,210 | 1 | 7,243 | 2 | 14,453 |
| Total | 104 | 427,092 | 172 | 776,411 | 80 | 389,363 | 52 | 284,879 | 28 | 144,873 | 46 | 376,588 | 81 | 928,785 | 37 | 368,070 | 600 | 3,696,061 |
| GOVERNMENT OWNED | | | | | | | | | | | | | | | | | | |
| Argentine | | | 24 | 151,937 | 18 | 44,365 | | | | | | | | | | | 42 | 196,302 |
| Belgian | | | 13 | 94,974 | | | | | | | | | | | | | 13 | 94,974 |
| Brazilian | | | 14 | 48,216 | 2 | 3,535 | | | | | | | | | | | 16 | 51,751 |
| British | | | 69 | 386,233 | 33 | 340,022 | 3 | 15,551 | | | | | | | | | 105 | 741,806 |
| Canadian | | | 9 | 51,772 | 13 | 84,104 | | | | | | | | | | | 22 | 135,876 |
| Chilean | | | 6 | 27,656 | 2 | 7,610 | | | | | | | | | | | 8 | 35,266 |
| Chinese | 15 | 33,146 | 9 | 20,102 | 31 | 171,219 | 2 | 6,300 | | | | | | | | | 57 | 230,767 |
| Colombian | | | 4 | 15,214 | | | | | | | | | | | | | 4 | 15,214 |
| Cuban | | | | | 4 | 15,214 | | | | | | | | | | | 4 | 15,214 |
| Danish | 1 | 1,559 | 34 | 182,916 | | | | | | | | | | | | | 35 | 184,505 |
| Ecuadorian | | | 2 | 7,610 | | | | | | | | | | | | | 2 | 7,610 |
| Egyptian | | | 2 | 14,354 | | | | | | | | | | | | | 2 | 14,354 |
| Finnish | | | 7 | 27,806 | 1 | 1,870 | | | | | | | | | | | 8 | 29,676 |
| French | 5 | 19,025 | 79 | 547,456 | 12 | 122,104 | | | | | | | | | | | 96 | 688,585 |
| Greek | | | 87 | 616,494 | 8 | 80,050 | | | | | | | | | | | 95 | 696,544 |
| Honduran | | | 23 | 165,829 | 6 | 36,030 | | | | | | | | | | | 29 | 201,859 |
| Icelandic | | | | | 1 | 3,805 | | | | | | | | | | | 1 | 3,805 |
| Indian | | | 7 | 51,162 | 4 | 28,528 | | | | | | | | | | | 11 | 79,690 |
| Iranian | | | | | 3 | 21,391 | | | | | | | | | | | 3 | 21,391 |
| Italian | | | 92 | 671,324 | 63 | 469,482 | 1 | 7,176 | | | | | | | | | 156 | 1,147,982 |
| Netherlands | | | 72 | 496,998 | 10 | 65,358 | | | | | | | | | | | 82 | 562,356 |
| New Zealand | | | 1 | 5,158 | 1 | 6,751 | | | | | | | | | | | 2 | 11,909 |
| Nicaraguan | | | | | 2 | 3,770 | | | | | | | | | | | 2 | 3,770 |
| Norwegian | | | 57 | 333,943 | 32 | 258,571 | 1 | 7,191 | | | | | | | | | 90 | 599,705 |
| Pakistan | | | | | 1 | 7,133 | | | | | | | | | | | 1 | 7,133 |
| Panamanian | | | 105 | 754,664 | 63 | 582,965 | | | | | | | | | | | 168 | 1,337,629 |
| Peruvian | 8 | 24,770 | 9 | 36,187 | | | | | | | | | | | | | 9 | 36,187 |
| Philippine | | | 10 | 39,817 | 2 | 3,584 | | | | | | | | | | | 20 | 68,171 |
| Polish | | | | | 1 | 7,612 | | | | | | | | | | | 1 | 7,612 |
| Portuguese | | | 3 | 22,818 | 3 | 5,462 | | | | | | | | | | | 3 | 5,462 |
| South African | | | 6 | 32,034 | 6 | 49,654 | | | | | | | | | | | 9 | 72,472 |
| Swedish | | | 6 | 16,215 | 2 | 20,357 | | | | | | | | | | | 8 | 52,391 |
| Turkish | | | 2 | 20,592 | 10 | 71,559 | | | | | | | | | | | 16 | 87,774 |
| Uruguayan | | | 5 | 15,904 | 4 | 21,878 | | | | | | | | | | | 6 | 42,470 |
| Venezuelan | | | | | | | 6 | 14,400 | | | | | | | | | 11 | 30,304 |
| Yugoslavian | | | | | 1 | 7,607 | | | | | | | | | | | 1 | 7,607 |
| Total | 29 | 78,500 | 757 | 4,855,415 | 339 | 2,541,590 | 13 | 50,618 | 17 | 119,844 | 1 | 7,133 | | | | | 1,138 | 7,526,123 |
| Sale alien | | | 150 | 1,063,019 | 56 | 398,080 | 6 | 37,874 | | | | | | | 5 | 29,975 | 235 | 1,655,925 |
| Grand total | 29 | 78,500 | 907 | 5,918,434 | 395 | 2,939,670 | 19 | 88,492 | 17 | 119,844 | 1 | 7,133 | | | 5 | 29,975 | 1,373 | 9,182,048 |

Prepared by Administrative Branch, Office of Subsidy and Government Aid, July 24, 1953.

[1] No change in ownership or registry.

Mr. CLARK. May I ask, Senator, if we can divide that into 2 periods, 1 the period up to the new Administration, which came into being in August of 1950, and then from 1950 on?

Senator POTTER. That will be agreeable.

Mr. CLARK. Because the policies in both periods were completely different.

Senator POTTER. You have more safeguards now than you had then?

Mr. CLARK. Yes. So, if we might divide them into those categories, it would be helpful. We will be glad to file with you, if you desire, our transfer policy in detail, if that would be helpful.

It may be helpful to suggest here that we break it down between Government and private, because in the first period in the postwar era, 1947 on up to when the new Maritime Administration was created in 1950, you had transfers of both Government and private ships, because up until 1948, the Congress permitted transfer of Government ships, foreign as well as private ships. That ended in 1948, I believe, by congressional resolution. Since that date we have not had any authority under the Ship Sales Act of 1946 to sell Government ships to foreign interests.

So, in the period in which the new Maritime Administration is involved, there would be no foreign sales of Government ships.

Mr. DREWRY. On those Government ships, Mr. Clark, wasn't that pursuant to a law that prohibited restrictions on the trading operations? In other words, those ships would not be available for recapture by the United States in the event of an emergency, anyway, would they?

Mr. CLARK. Mr. Drewry, the question is very timely and very appropriate. That was exactly the reason I asked to break it down, because in that period, 1947, 1948, 1949, and before the cold war had taken hold and before it could be foreseen, there were none of these restrictions, at least not to the extent that we now apply them in effect.

Section 902, the recapture provision of the act of 1936, was not applied to the ships. A great many of them, so far as the transfer agreement is concerned, does not provide for recapture of those ships.

By the time the new Maritime Administration came in in 1950, we had an opportunity that the old Commission did not have to analyze the current situation and to foresee that some restrictions should be added to what they added. We do not say we were any more foreseeing or intelligent than our predecessors, but we had the benefit of an economic knowledge which they did not have at the time they made their transfers.

Mr. DREWRY. At the time of the transfers, and the Ship Sales Act, wasn't there in being a policy to limit the sales to people who were then more or less friendly allies, and also to tie in the number that were transferred to rehabilitation of their former fleets?

Mr. CLARK. That is true.

Mr. DREWRY. Of course, there were some new merchant marines that were created under that act, too?

Mr. CLARK. I believe that is right, Mr. Drewry. As I recall the situation, it was pretty much on the rehabilitation theory that those ships went out of the country. Our allies had a lost lot of ships and tonnage by war. It was an attempt to provide the ships for purchase, in order to help them economically get on their feet. The Congress

closed that up in 1948, and we continued to sell domestically until 1951. That was a hectic time, Senator.

I recall January 15, 1951—I shall never forget it—because I sat up until midnight to get all the contracts signed before the clock struck 12. I believe we sold 128 ships in a short period of time. Some of the applications came in a little late. We did achieve getting a large number of those ships into private hands at that time. Since that time, we have had no reopening of the Ship Sales Act, except, I guess, the Great Lakes C–4 bill, and the ones now before you, such as the Philippine rehabilitation bill, and the Korean bill.

Mr. DREWRY. It is not a reopening of the Ship Sales Act.

Mr. CLARK. I agree with you. It is more or less on the rehabilitation theory.

Senator POTTER. I have some recollections of the C–4 bill for the Great Lakes.

Mr. CLARK. Your State is the State that helps tie the hinterland to the oceans. I am sure you recall very vividly that particular period.

Senator POTTER. They are quite merchant-marine conscious there. Our problems are considerably different than the oceangoing ships, but it does make a tie-in.

Mr. CLARK. I congratulate you for coming from Michigan. I come from the other side of the lake, from Illinois. I think the Midwest people are very conscious of the merchant marine and its relationship to the lakes and to the hinterland economy. It is all tied to ocean shipping, eventually.

Mr. DREWRY. Before you proceed, Admiral Wilson spoke of ships that are under so-called effective control. I understood that to mean vessels largely American-owned, owned with considerable American investment, at least, under the flags of certain particular friendly nations, such as Panama, Mexico, and Liberia.

In your statistical work, do you have information as to all of the ships that are under foreign flags, but are heavily controlled by American investments? I received some information that there were some 500 vessels of over 100,000 gross tons that were repaired in the American yards that were under foreign flags, but with American investment, in 1952. Many of them were owned by the oil companies. I think I have heard that some of the steel companies have foreign-flag ships. Could you furnish for the record data on the vessels of that type owned by American companies through foreign affiliates?

Mr. CLARK. Yes, we can supply that. I do not see any difficulty with that.

Mr. STAKEM. We can do that.

Mr. CLARK. I think it is merely pulling out another document, which we have already available.

Senator POTTER. We would like to have that for the record.

Mr. DREWRY. As I understand it, there would be two situations. There would be those under the flags of certain nations which are considered to provide the effective control, and there would possibly be others under other flags which are not taken into account in that. I believe the British-flag ships are not considered, even if they might be through affiliates of American companies. I do not know whether there are any such or not by the Standard Oil or any of the big oil companies which might have British-flag or German-flag affiliations.

Mr. CLARK. If my memory serves me correctly, there are a few situations of that nature. I will be glad to work into this format, which I am sure will not take us long——

Mr. STAKEM. We have some information. I do not know if it will be complete. We will check over it and see how complete it is.

Senator POTTER. Give us what you have. We will appreciate it.

Mr. CLARK. We will be glad to furnish the information available to us.

Mr. DREWRY. Not only under effective control, but under any foreign flag with American ownership.

Mr. CLARK. We have that.

Senator POTTER. It will be made a part of the record at this point.

(The material referred to is as follows:)

*Seagoing bulk and ore carriers of 1,000 gross tons and over registered under foreign flags as of Dec. 31, 1952, arranged by parent company and their affiliate*

[Includes only those parent companies incorporated in the United States]

| Parent company, affiliate, name of ship | Country in which built | Year built | Dead weight | Gross tons | Speed (knots) | Flag |
|---|---|---|---|---|---|---|
| Grand total, 10 ships | | | 118,249 | 77,844 | | |
| Aluminum Co. of America, Inc., 801 Gulf Bldg., Pittsburgh, Pa.: | | | | | | |
| Alcoa Steamship Co., Inc., 17 Battery Pl., New York 4, N. Y.: | | | | | | |
| Pan-Ore Steamship Co., 17 Battery Pl., New York 4, N. Y., 2 ships | | | 18,000 | 10,932 | | |
| *Pathfinder* [1] | United Kingdom | 1950 | 9,000 | 5,466 | 12 | Panama. |
| *Prospector* [1] | do | 1950 | 9,000 | 5,466 | 12 | Do. |
| Bethlehem Steel Corp.: | | | | | | |
| Bethlehem Steel Co., care of Ore Steamship Corp., 25 Broadway, New York 6, N. Y.: | | | | | | |
| Iron Mines Co. of Venezuela, 701 East 3d St., Bethlehem, Pa., 2 ships | | | 15,236 | 6,849 | | |
| *Punta Aramaya* [1] | United States | 1950 | 7,618 | 3,425 | 13½ | Venezuela. |
| *Punta Morocoto* [1] | do | 1951 | 7,618 | 3,424 | 13½ | Do. |
| Republic Steel Corp., New Jersey: | | | | | | |
| Skibs A/S Oronor, 2 ships | | | 44,100 | 35,671 | | |
| *Enduro* | United Kingdom | 1952 | 21,700 | 17,818 | 14½ | Norway. |
| *Romi Hills* | do | 1952 | 22,400 | 17,853 | 14¼ | Do. |
| Reynolds Metals Co., 3d and Grace Sts., Richmond 19, Va.: | | | | | | |
| Tropical Steamship Co., Ltd., care of Reynolds Jamaica Mines, Ltd., Lydfold Postoffice, St. Ann, Jamaica: | | | | | | |
| *Carl Schmedeman* | do | 1952 | 13,150 | 10,839 | 15 | Other colonies. |
| United States Gypsum Co.: | | | | | | |
| Gypsum Packet Co., Ltd., 561 Richmond Terrace, Staten Island, N. Y.: | | | | | | |
| *Gypsum King* [1] | do | 1927 | 6,587 | 3,915 | 10 | United Kingdom. |
| Panama Gypsum Co., Inc., 2d St., No. 8, Panama, Republic of Panama, 2 ships: | | | 21,176 | 9,638 | | Do. |
| *Gypsum Prince* [1] | United States | 1947 | 10,588 | 4,819 | 12½ | Panama. |
| *Gypsum Queen* [1] | do | 1947 | 10,588 | 4,819 | 12½ | Do. |

[1] Ore carrier.

*Seagoing tankers of 1,000 gross tons and over owned by United States companies and their affiliates and registered under foreign flag, as of Dec. 31, 1952*

[Includes only those parent companies in the United States]

| Parent company, affiliate, name of ship | Country in which built | Year built | Dead weight | Gross tons | Speed (knots) | Flag |
|---|---|---|---|---|---|---|
| Grand total, 281 ships | | | 4,111,320 | 2,640,829 | | |
| A. C. Tankers, Inc., 17 Battery Pl., New York 4, N. Y., 4 ships. | | | 66,252 | 40,804 | | |
| *Stanvac Canberra* | United States | 1950 | 16,563 | 10,201 | 15½ | Panama. |
| *Stanvac Karachi* | do | 1950 | 16,563 | 10,201 | 15½ | Do. |
| *Stanvac Pretoria* | do | 1950 | 16,563 | 10,201 | 15½ | Do. |
| *Stanvac Sumatra* | do | 1949 | 16,563 | 10,201 | 15½ | Do. |
| American Overseas Tanker Corp., Room 700, 52 Broadway, New York 4, N. Y., 5 ships. | | | 83,004 | 52,240 | | |
| *Fort George* | United States | 1943 | 16,598 | 10,448 | 14.6 | Do. |
| *Gervais* | do | 1943 | 16,598 | 10,448 | 14.6 | Do. |
| *Owyhee* | do | 1943 | 16,616 | 10,448 | 14.6 | Do. |
| *Umatilla* | do | 1943 | 16,598 | 10,448 | 14.6 | Do. |
| *Yamhill* | do | 1943 | 16,594 | 10,448 | 14.6 | Do. |
| Barbara Oil Corp., 30 Rockefeller Plaza, New York 20, N. Y.: Atlas Tankers, Inc., 71st St., Panama, Republic of Panama, 5 ships. | | | 141,405 | 89,485 | | |
| *Caperata* | United States | 1950 | 28,281 | 17,897 | 16 | Do. |
| *Caprella* | do | 1950 | 28,281 | 17,897 | 16 | Do. |
| *Caprinus* | do | 1950 | 28,281 | 17,897 | 16 | Do. |
| *Capsa* | do | 1950 | 28,281 | 17,897 | 16 | Do. |
| *Capulus* | do | 1950 | 28,281 | 17,897 | 16 | Do. |
| Bernuth, Lamboke Co., Inc.: B. L. Shipping Co., Inc., Graybar Bldg., 420 Lexington Ave., New York 17, N. Y.: Adellen Steamship Co., Ltd., Cory Bldg., 117 Fenchurch St., London, E. C. 3, Adellen. | United Kingdom | 1942 | 14,710 | 9,807 | 11½ | United Kingdom. |
| Cosmopolitan Shipping Co., Inc., 42 Broadway, New York 4, N. Y.: Panama Transoceanic Co., S. A., 42 Broadway, New York 4, N. Y., 6 ships. | | | 99,570 | 62,159 | | |
| *Parren Hill* | United States | 1944 | 16,670 | 10,172 | 14.6 | Panama. |
| *Cannon Peach* | do | 1945 | 16,585 | 10,448 | 14.6 | Do. |
| *Chesawa* | do | 1945 | 16,555 | 10,448 | 14.6 | Do. |
| *Saguaro* | do | 1945 | 16,560 | 10,448 | 14.6 | Do. |
| *Steens Mountain* | do | 1945 | 16,530 | 10,448 | 14.6 | Do. |
| *Winchester* | do | 1943 | 16,670 | 10,195 | 14.6 | Do. |
| Flanigan, Loveland Shipping Co., 151 South Front St., Philadelphia 6, Pa.: *Elizabeth A. Flanigan* | do | 1943 | 16,692 | 10,172 | 14.6 | Do. |
| Grants Passenger Corp., 747 Union Trust Bldg., Pittsburgh 30, Pa.: *Grants Pass* | do | 1945 | 16,539 | 10,448 | 14.6 | Do. |

*Seagoing tankers of 1,000 gross tons and over owned by United States companies and their affiliates and registered under foreign flag, as of Dec. 31, 1952*—Continued

[Includes only those parent companies incorporated in the United States]

| Parent company, affiliate, name of ship | Country in which built | Year built | Dead weight | Gross tons | Speed (knots) | Flag |
|---|---|---|---|---|---|---|
| Gulf Oil Corp., 17 Battery Pl., New York 4, N. Y.: | | | | | | |
| Afran Transport Co., care of Gulf Oil Corp., 17 Battery Pl., New York 4, N. Y., 5 ships. | | | 134, 258 | 85, 268 | | |
| *Burgan* | United States | 1949 | 28, 336 | 17, 905 | 16 | Liberia. |
| *Coro* | do | 1949 | 28, 336 | 17, 902 | 16 | Do. |
| *Magwa* | United Kingdom | 1951 | 24, 625 | 15, 746 | 14 | Do. |
| *San Tome* | United States | 1950 | 28, 336 | 17, 902 | 16 | Do. |
| *Suhail* | United Kingdom | 1952 | 24, 625 | 15, 813 | 14 | Do. |
| Belgian Gulf Oil Co., S. A., 33/35 Ave., J. Van Rijeswijck, Antwerp, Belgium, 4 ships. | | | 43, 126 | 26, 306 | | |
| *Alexandre Andre* | Netherlands | 1928 | 7, 341 | 5, 261 | 11. 2 | Belgium. |
| *Belgian Gulf* | do | 1929 | 11, 686 | 4, 000 | 10½ | Do. |
| *Belgian Pride* | Belgium | 1949 | 12, 900 | 9, 240 | 13 | Do. |
| *Good Gulf* | Germany | 1938 | 11, 199 | 7, 805 | 10. 7 | Do. |
| Kupan Transport Co., care of Gulf Oil Corp., 17 Battery Pl., New York 4, N. Y., 3 ships. | | | 82, 067 | 53, 131 | | |
| *Jahra* | United States | 1949 | 28, 336 | 17, 905 | 16 | Liberia. |
| *Kuwait* | do | 1949 | 26, 878 | 17, 613 | 16 | Do. |
| *Ras Al Ardh* | do | 1949 | 26, 853 | 17, 613 | 16 | Do. |
| Mene Grande Oil Co., C. A., care of Gulf Oil Corp., 17 Battery Pl., New York 4, N. Y., 8 ships. | | | 32, 380 | 22, 732 | | |
| *Apure* | United Kingdom | 1928 | 4, 360 | 3, 164 | 9½ | Venezuela. |
| *Aragua* | do | 1927 | 3, 860 | 2, 650 | 9½ | Do. |
| *Bolivar* | do | 1927 | 3, 860 | 2, 651 | 9½ | Do. |
| *Cojoni* | do | 1928 | 4, 360 | 3, 164 | 9½ | Do. |
| *Catatumbo* | do | 1928 | 4, 360 | 3, 163 | 9½ | Do. |
| *Perija* | do | 1927 | 3, 860 | 2, 647 | 9½ | Do. |
| *Sucre* | do | 1926 | 3, 860 | 2, 646 | 9½ | Do. |
| *Urdapeta* | do | 1927 | 3, 860 | 2, 647 | 8½ | Do. |
| Ludwig, D. K., 600 5th Ave., New York, N. Y.: | | | | | | |
| Seatankers, Inc., Monrovia, Liberia, 3 ships. | | | 13, 005 | 9, 155 | | |
| *Transea* | United States | 1945 | 4, 305 | 3, 262 | 10 | Liberia. |
| *Transpan* | do | 1945 | 4, 350 | 2, 948 | 11 | Do. |
| *Transpar* | do | 1945 | 4, 350 | 2, 945 | 11 | Do. |
| Universe Tankships, Inc., 630 5th Ave., New York 20, N. Y., 6 ships. | | | 177, 936 | 92, 577 | | |
| *Bulkoceanic* | United States | 1949 | 30, 016 | 15, 586 | 16½ | Do. |
| *Bulkoil* | do | 1949 | 30, 025 | 15, 586 | 16½ | Do. |
| *Bulkpetrol* | do | 1948 | 29, 950 | 15, 591 | 16 | Do. |
| *Bulkstar* | do | 1949 | 30, 013 | 15, 586 | 16½ | Do. |
| *Bulktrader* | do | 1950 | 30, 004 | 15, 586 | 16½ | Do. |
| *Ulysses* | do | 1947 | 27, 928 | 14, 642 | 16 | Do. |
| Olympic Whaling Co., 52 Broadway, New York 4, N. Y.: | | | | | | |
| *Olympic Challenger* | do | 1943 | 16, 674 | 13, 019 | 14½ | Panama. |

*Seagoing tankers of 1,000 gross tons and over owned by United States companies and their affiliates and registered under foreign flag, as of Dec. 31, 1952*—Continued

[Includes only those parent companies incorporated in the United States]

| Parent company, affiliate, name of ship | Country in which built | Year built | Dead weight | Gross tons | Speed (knots) | Flag |
|---|---|---|---|---|---|---|
| Socony Vacuum Oil Co., Inc., 26 Broadway, New York 4, N. Y.: | | | | | | |
| Deutsche Vacuum Oil, A. G., Hamburg, Germany: | | | | | | |
| *Lacklan* | United Kingdom | 1929 | 13, 498 | 8, 642 | 10. 6 | Germany. |
| N. V. Standard Vacuum Tankvaart Maatschappij,[1] Postbox 109, The Hague, Holland, 6 ships. | | | 19, 212 | 14, 928 | | |
| *Stanvac Penakat* | United States | 1945 | 4, 055 | 3, 145 | 10½ | Netherlands. |
| *Stanvac Djirak* | do | 1945 | 4, 055 | 3, 155 | 10½ | Do. |
| *Stanvac Ogan* | do | 1945 | 1, 496 | 1, 165 | 10 | Do. |
| *Stanvac Pendopo* | do | 1945 | 4, 055 | 3, 143 | 10½ | Do. |
| *Stanvac Selo* | do | 1944 | 1, 496 | 1, 165 | 10 | Do. |
| *Stanvac Talang Akar* | do | 1945 | 4, 055 | 3, 155 | 10½ | Do. |
| Oriental Trade & Transport Co., Ltd.,[1] care of Standard Vacuum Oil Co., 26 Broadway, New York 4, N. Y., 8 ships. | | | 113, 144 | 75, 498 | | |
| *Charles F. Meyer* | Germany | 1938 | 15, 163 | 10, 516 | 10. 7 | United Kingdom. |
| *Edward F. Johnson* | Netherlands | 1937 | 15, 067 | 10, 452 | 10. 9 | Do. |
| *James J. Maguire* | Italy | 1930 | 15, 345 | 10, 525 | 10. 3 | Do. |
| *Stanvac Manila* | United States | 1944 | 16, 600 | 10, 686 | 14½ | Do. |
| *Stanvac Meifoo* | do | 1945 | 1, 350 | 1, 165 | 10 | Other colonies. |
| *Stanvac Melbourne* | do | 1945 | 16, 564 | 10, 739 | 14½ | United Kingdom. |
| *Stanvac Shanghai* | do | 1945 | 16, 553 | 10, 712 | 14½ | Do. |
| *Stanvac Sydney* | do | 1944 | 16, 502 | 10, 703 | 14½ | Do. |
| Petroleum Shipping Co., Ltd.,[1] Box 3136, Panama, Republic of Panama, 6 ships. | | | 87, 969 | 54, 179 | | |
| *Algonquin* | United States | 1920 | 10, 700 | 7, 230 | 10 | Panama. |
| *Stanvac Calcutta* | do | 1944 | 16, 543 | 9, 933 | 15. 4 | Do. |
| *Stanvac Cape Town* | do | 1941 | 16, 625 | 10, 170 | 12. 8 | Do. |
| *Stanvac Palembang* | do | 1945 | 16, 526 | 9, 933 | 15 | Do. |
| *Stanvac Wellington* | do | 1941 | 16, 725 | 10, 013 | 12. 3 | Do. |
| *Yorba Linda* | do | 1921 | 10, 760 | 6, 900 | 10 | Do. |
| Socony Vacuum Transportation Co., Ltd., 230 Hospital St., Montreal, Province of Quebec, Canada, 2 ships. | | | 20, 330 | 13, 498 | | |
| *Sorac* | Denmark | 1938 | 10, 177 | 6, 724 | 9¾ | United Kingdom. |
| *Vacport* | Germany | 1939 | 10, 153 | 6, 774 | 10 | Do. |
| Socony Vacuum Francaise: Societe Anonyme "Mazout Transport," 46 Rue de Courcelles, Paris 8, France, 4 ships. | | | 46, 367 | 29, 842 | | |
| *C. I. P.* | France | 1921 | 9, 839 | 6, 587 | 10½ | France. |
| *Froutignan* | United States | 1944 | 16, 460 | 10, 172 | 14. 6 | Do. |
| *Motrix* | France | 1922 | 9, 839 | 6, 587 | 10½ | Do. |
| *Temaha* | United Kingdom | 1914 | 10, 229 | 6, 496 | 8¾ | Do. |

[1] Jointly owned by Socony Vacuum Oil Co., Inc., and Standard Oil Co. of New Jersey.

*Seagoing tankers of 1,000 gross tons and over owned by United States companies and their affiliates and registered under foreign flag, as of Dec. 31, 1952*—Continued

[Includes only those parent companies incorporated in the United States]

| Parent company, affiliate, name of ship | Country in which built | Year built | Dead weight | Gross tons | Speed (knots) | Flag |
|---|---|---|---|---|---|---|
| Standard Oil Co. of California, 225 Bush St., San Francisco, Calif.: | | | | | | |
| California Transport Corp., Empire State Bldg., 350 5th Ave., New York 1, N. Y., 6 ships. | | | 168,444 | 96,428 | | |
| *A. N. Kamp* | United States | 1950 | 28,074 | 16,071 | 16 | Liberia. |
| *Atholl McBean* | do | 1950 | 28,074 | 16,071 | 16 | Do. |
| *Paul Pigott* | do | 1951 | 28,074 | 16,071 | 16 | Do. |
| *Robert Watt Miller* | do | 1951 | 28,074 | 16,071 | 16 | Do. |
| *T. S. Petersen* | do | 1950 | 28,074 | 16,073 | 16 | Do. |
| *Gage Lund* | do | 1952 | 28,074 | 16,071 | 15¾ | Do. |
| Nederlandsche Pacific Tankvaart Maats,[1] Korte Vijverberg, 5 The Hague, Holland, 9 ships. | | | 103,874 | 68,279 | | |
| *Caltex Delft* | United States | 1944 | 16,401 | 10,821 | 14.6 | Netherlands. |
| *Caltex Leiden* | do | 1944 | 16,460 | 10,821 | 14.6 | Do. |
| *Caltex Nederland* | Netherlands | 1937 | 12,000 | 8,223 | 12½ | Do. |
| *Caltex Pernis* | United States | 1945 | 16,460 | 10,821 | 14.6 | Do. |
| *Caltex The Hague* | do | 1945 | 16,460 | 10,821 | 14.6 | Do. |
| *Caltex Utrecht* | do | 1945 | 16,433 | 10,821 | 14.6 | Do. |
| *Caltex Rupat* | Netherlands | 1952 | 3,220 | 1,984 | 10½ | Do. |
| *Caltex Pakanburu* | Belgium | 1952 | 3,220 | 1,983 | 11 | Do. |
| *Caltex Bengkalis* | Netherlands | 1952 | 3,220 | 1,984 | 10½ | Do. |
| Overseas Tankship Corp.,[1] 551 5th Ave., New York 17, N. Y., 24 ships. | | | 396,694 | 252,480 | | |
| *Caltex Antwerp* | Belgium | 1950 | 17,200 | 11,868 | 14½ | Panama. |
| *Caltex Bangkok* | United States | 1944 | 16,460 | 10,448 | 14.6 | Do. |
| *Caltex Brussels* | Belgium | 1951 | 17,375 | 11,868 | 14½ | Do. |
| *Caltex Cape Town* | United States | 1944 | 16,460 | 10,448 | 14.6 | Do. |
| *Caltex Copenhagen* | do | 1944 | 16,460 | 10,448 | 14.6 | Do. |
| *Caltex Genoa* | do | 1944 | 16,460 | 10,448 | 14.6 | Do. |
| *Caltex Gothenburg* | do | 1945 | 16,460 | 10,448 | 14.6 | Do. |
| *Caltex Istanbul* | do | 1945 | 16,460 | 10,448 | 14.6 | Do. |
| *Caltex Liege* | Belgium | 1951 | 16,500 | 10,868 | 14½ | Do. |
| *Caltex Mozambique* | United States | 1945 | 16,460 | 10,448 | 14.6 | Do. |
| *Caltex Rhodesia* | do | 1945 | 16,460 | 10,448 | 14.6 | Do. |
| *Caltex Suez* | do | 1945 | 16,460 | 10,172 | 14.6 | Do. |
| *Caltex Venice* | do | 1945 | 16,460 | 10,172 | 14.6 | Do. |
| *Caltex Johannesburg* | do | 1945 | 16,428 | 10,448 | 14.6 | Do. |
| *Caltex Saigon* | do | 1945 | 16,432 | 10,172 | 14.6 | Do. |
| *Caltex Manila* | do | 1945 | 16,460 | 10,448 | 14.6 | Do. |
| *Caltex Oslo* | do | 1945 | 16,413 | 10,448 | 14.6 | Do. |
| *Caltex Durban* | do | 1944 | 16,563 | 10,448 | 14.6 | Do. |
| *Caltex Athens* | do | 1944 | 16,423 | 10,448 | 14.6 | Do. |
| *Rum River* | do | 1944 | 16,460 | 10,296 | 14½ | Do. |
| *Sideling Hill* | do | 1945 | 16,460 | 10,172 | 14.6 | Do. |
| *Caltex Lisbon* | do | 1945 | 16,460 | 10,448 | 14.6 | Do. |
| *Caltex Stockholm* | do | 1945 | 16,460 | 10,172 | 14.6 | Do. |
| *Caltex Cebu* | do | 1944 | 16,460 | 10,448 | 14.6 | Do. |

[1] Jointly owned by Standard Oil of California and Texas Co.

*Seagoing tankers of 1,000 gross tons and over owned by United States companies and their affiliates and registered under foreign flag, as of Dec. 31, 1952*—Continued

[Includes only those parent companies incorporated in the United States]

| Parent company, affiliate, name of ship | Country in which built | Year built | Dead weight | Gross tons | Speed (knots) | Flag |
|---|---|---|---|---|---|---|
| Standard Oil Co. of California—Continued | | | | | | |
| Overseas Tankship (United Kingdom) Ltd.,[1] 30 Old Burlington St., London, 17 ships. | | | 264,308 | 173,978 | | |
| *Caltex Adelaide* | United States | 1945 | 16,460 | 10,624 | 14.6 | United Kingdom. |
| *Caltex Auckland* | do | 1945 | 16,560 | 10,709 | 14.6 | Do. |
| *Caltex Bombay* | do | 1945 | 16,595 | 10,691 | 14.6 | Do. |
| *Caltex Colombo* | do | 1944 | 16,460 | 10,712 | 14.6 | Do. |
| *Caltex Dublin* | do | 1945 | 16,408 | 10,643 | 14.6 | Do. |
| *Caltex Gloscow* | do | 1945 | 16,444 | 10,617 | 14.6 | Do. |
| *Caltex Karachi* | do | 1944 | 16,460 | 10,657 | 14.6 | Do. |
| *Caltex London* | do | 1945 | 16,460 | 10,717 | 14.6 | Do. |
| *Caltex Melbourne* | do | 1945 | 16,631 | 10,625 | 14.6 | Do. |
| *Caltex Singapore* | do | 1944 | 16,460 | 10,712 | 14.6 | Do. |
| *Caltex Sydney* | do | 1945 | 16,460 | 10,712 | 14.6 | Do. |
| *Caltex Willington* | do | 1944 | 16,460 | 10,645 | 14.6 | Do. |
| *Caltex Kenya* | United Kingdom | 1952 | 12,300 | 8,523 | 13¾ | Do. |
| *Caltex Tanganyika* | do | 1952 | 12,300 | 8,523 | 13¾ | Do. |
| *Caltex Delhi* | do | 1952 | 12,300 | 8,527 | 14 | Do. |
| *Caltex Liverpool* | do | 1952 | 17,250 | 11,814 | 15 | Do. |
| *Caltex Calcutta* | do | 1952 | 12,300 | 8,527 | 14 | Do. |
| Outremer De Nav. Petroliere S. A. F., Paris: | | | | | | |
| *Caltex Bordeau* | United States | 1945 | 16,612 | 10,763 | 14.6 | France. |
| Richmond Exploration Corp., 225 Bush St., San Francisco 20, Calif., 2 ships. | | | 21,372 | 14,079 | | |
| *Palmar* | United States | 1920 | 10,713 | 6,984 | 10 | Venezuela. |
| *Bahrein*[2] | do | 1921 | 10,659 | 7,095 | 10 | Panama. |
| Standard Oil Co. of British Columbia, Ltd., 355 Burrard St., Vancouver, B. C.: | | | | | | |
| *Standard Service* | do | 1923 | 1,806 | 1,324 | 7½ | Canada. |
| Standard Oil Co. of New Jersey, 30 Rockefeller Plaza, New York 20, N. Y.: | | | | | | |
| Creole Petroleum Corp., Empire State Bldg., Room 6600, New York, N. Y., 7 ships. | | | 37,518 | 23,369 | | |
| *Amacuro* | United States | 1945 | 5,616 | 3,401 | 10 | Panama. |
| *Caripito* | do | 1943 | 5,475 | 3,401 | 10 | Do. |
| *Guarico* | do | 1943 | 5,475 | 3,401 | 10 | Do. |
| *Jusepin* | United Kingdom | 1928 | 4,240 | 2,963 | 8½ | Do. |
| *Mara* | United States | 1945 | 5,616 | 3,401 | 10 | Do. |
| *Temblador* | do | 1943 | 5,475 | 3,401 | 10 | Do. |
| *Trujillo* | do | 1945 | 5,621 | 3,401 | 10 | Do. |
| Cleveland Petroleum Co., Central House, Upper Woburn Pl., London: | | | | | | |
| *Cleveland* | do | 1944 | 16,591 | 10,667 | 14.85 | United Kingdom. |
| A/S Ostlandske Petroleum Compagni, Prinsensgate 3a, Oslo, Norway: | | | | | | |
| *Haakon Hauan* | Norway | 1935 | 9,870 | 6,582 | 10 | Norway. |

[1] Jointly owned by Standard Oil of California and Texas Co.
[2] Used as storage ship.

*Seagoing tankers of 1,000 gross tons and over owned by United States companies and their affiliates and registered under foreign flag, as of Dec. 31, 1952*—Continued

[Includes only those parent companies incorporated in the United States]

| Parent company, affiliate, name of ship | Country in which built | Year built | Dead weight | Gross tons | Speed (knots) | Flag |
|---|---|---|---|---|---|---|
| **Standard Oil Co. of New Jersey**—Continued | | | | | | |
| Esso Transportation Co., Ltd., Darland House, 18/20 Regent St., London, 3 ships. | ..... | ..... | 49,650 | 32,089 | ..... | |
| *Esso Cardiff* | United States | 1945 | 16,591 | 10,648 | 14.7 | United Kingdom. |
| *Esso Fawley* | do | 1944 | 16,564 | 10,712 | 15 | Do. |
| *Esso Valparaiso* | do | 1945 | 16,495 | 10,729 | 14.6 | Do. |
| **Compania de Petroleo Iago, 33 Veroes a Jesuitas** (Apartado 889), Caracas, Venezuela, 14 ships. | ..... | ..... | 59,054 | 41,342 | ..... | |
| *Esso Arila* | United Kingdom | 1938 | 5,473 | 3,676 | 10 | Venezuela. |
| *Esso Guiria* | United States | 1943 | 4,475 | 3,401 | 10 | Do. |
| *Esso Maracaibo* | do | 1944 | 1,450 | 1,134 | 10 | Do. |
| *Esso San Joaquin* | do | 1943 | 5,475 | 3,401 | 10 | Do. |
| *Esso San Cristobal* | do | 1943 | 5,475 | 3,401 | 10 | Do. |
| *Esso Venezuela* | do | 1945 | 3,925 | 3,160 | 11 | Do. |
| *Icotea* | United Kingdom | 1927 | 3,156 | 2,534 | 10½ | Do. |
| *La Salina* | do | 1927 | 3,156 | 2,534 | 10½ | Do. |
| *Lagunilla* | do | 1927 | 3,156 | 2,248 | 10½ | Do. |
| *Surinam* | do | 1929 | 4,166 | 3,156 | 8½ | Do. |
| *Tamare* | do | 1929 | 4,166 | 3,156 | 8½ | Do. |
| *Ulo* | do | 1929 | 4,166 | 3,312 | 8½ | Do. |
| *Zapara* | do | 1926 | 3,140 | 2,036 | 9½ | Do. |
| *Esso Pachaquero* | do | 1937 | 6,675 | 4,193 | 11 | Do. |
| Det Danske Petroleums A/S, 13 Skt. Anna Plads, Copenhagen, Denmark, 3 ships. | ..... | ..... | 46,410 | 31,196 | ..... | |
| *Christian Holm* | Denmark | 1927 | 14,040 | 9,185 | 9.6 | Denmark. |
| *Esso Kobenhavn* | United Kingdom | 1930 | 17,585 | 12,062 | 11½ | Do. |
| *Esso Nyborg* | Denmark | 1945 | 14,785 | 9,949 | 12 | Do. |
| Esso Petroleum Co., Ltd., 36 Queen Anne's Gate, Westminster, London, S. W. 1, 21 ships. | ..... | ..... | 336,032 | 220,723 | ..... | |
| *D. L. Harper* | Germany | 1933 | 18,025 | 12,241 | 10 | United Kingdom. |
| *Esso Aberdeen* | United Kingdom | 1928 | 13,550 | 8,955 | 11 | Do. |
| *Esso Appalachee* | do | 1942 | 14,884 | 9,819 | 10.7 | Do. |
| *Esso Bedford* | do | 1930 | 17,460 | 11,867 | 12 | Do. |
| *Esso Belfast* | United States | 1930 | 20,615 | 13,074 | 11 | Do. |
| *Esso Birmingham* | do | 1944 | 16,567 | 10,727 | 14.6 | Do. |
| *Esso Bristol* | do | 1944 | 16,566 | 10,712 | 14.6 | Do. |
| *Esso Cadillac* | United Kingdom | 1940 | 12,052 | 8,142 | 10.6 | Do. |
| *Esso Cheyenne* | do | 1942 | 14,822 | 9,798 | 10.6 | Do. |
| *Esso Dublin* | do | 1927 | 12,335 | 7,473 | 9.2 | Do. |
| *Esso Edinburgh* | Germany | 1933 | 18,035 | 12,502 | 11 | Do. |
| *Esso Glasgow* | United States | 1944 | 16,557 | 10,727 | 14.6 | Do. |
| *Esso Hull* | Germany | 1936 | 15,015 | 10,394 | 10.6 | Do. |
| *Esso London* | United States | 1944 | 16,567 | 10,712 | 14.6 | Do. |
| *Esso Manchester* | do | 1944 | 16,580 | 10,712 | 14.6 | Do. |
| *Esso Newcastle* | Germany | 1933 | 18,025 | 12,223 | 11 | Do. |
| *Esso Plymouth* | United Kingdom | 1936 | 10,310 | 6,837 | 11.2 | Do. |
| *Esso Purfleet* | United States | 1944 | 16,567 | 10,712 | 14.6 | Do. |
| *Esso Saranso* | United Kingdom | 1941 | 12,210 | 8,031 | 10.7 | Do. |
| *Esso Southampton* | United States | 1930 | 21,350 | 12,875 | 11 | Do. |
| *F. J. Wolfe* | Germany | 1932 | 17,940 | 12,190 | 10 | Do. |
| Esso Standard Oil (Central America) Soc. Anon, Apartado 3136, Panama, Republic of Panama, 2 ships. | ..... | ..... | 6,483 | 4,953 | ..... | |
| *Esso El Salvador* | United Kingdom | 1938 | 2,278 | 1,793 | 9½ | Panama. |
| *Esso Guatemala* | United States | 1945 | 4,205 | 3,160 | 10 | Do. |

*Seagoing tankers of 1,000 gross tons and over owned by United States companies and their affiliates and registered under foreign flag, as of Dec. 31, 1952*—Continued

[Includes only those parent companies incorporated in the United States]

| Parent company, affiliate, name of ship | Country in which built | Year built | Dead weight | Gross tons | Speed (knots) | Flag |
|---|---|---|---|---|---|---|
| Standard Oil Co. of New Jersey—Continued | | | | | | |
| Esso Standard Soc. Anon Francaise, 82 Ave. des Champs Elysees, Boite Postale 57-08, Paris, France, 11 ships. | | | 128,847 | 84,478 | | |
| *Esso Bretagne* | United States | 1944 | 16,428 | 10,448 | 14.6 | France. |
| *Esso France* | do | 1945 | 16,545 | 10,296 | 14.6 | Do. |
| *Esso Gascogne* | Germany | 1939 | 14,750 | 9,554 | 12.2 | |
| *Esso La Malleraye* | United Kingdom | 1930 | 3,047 | 2,627 | 9½ | Do. |
| *Esso Languedoc* | Italy | 1933 | 17,990 | 11,191 | 12 | |
| *Esso Normandie* | United States | 1944 | 16,577 | 10,699 | 14.6 | Do. |
| *Esso Picardie* | Germany | 1931 | 17,620 | 11,065 | 12 | Do. |
| *Esso Port Jerome* | France | 1947 | 2,700 | 1,969 | 9½ | Do. |
| *Esso Provence* | Italy | 1933 | 17,990 | 12,334 | 11½ | Do. |
| *Esso Roche Maurice* | France | 1948 | 2,700 | 1,970 | 9½ | Do. |
| *Esso Le Caroubier* | Netherlands | 1952 | 2,500 | 2,325 | 11 | Do. |
| Imperial Oil, Ltd., 56 Church St., Toronto 1, Ontario, Canada: | | | | | | |
| *Imperial Goderich* | United Kingdom | 1938 | 2,040 | 1,561 | 12 | Canada. |
| Imperial Oil Shipping Co., Ltd., 2 Prince St., Halifax, Nova Scotia, Canada, 9 ships. | | | 133,163 | 87,250 | | |
| *Imperial Alberta* | United States | 1949 | 26,525 | 17,883 | 16 | Do. |
| *Imperial Charlottetown* | do | 1944 | 16,570 | 10,652 | 14.6 | Do. |
| *Imperial Edmonton* | do | 1944 | 16,580 | 10,702 | 14.6 | Do. |
| *Imperial Fredericton* | do | 1944 | 16,570 | 10,641 | 14.6 | Do. |
| *Imperial Halifax* | United Kingdom | 1946 | 5,168 | 3,734 | 12.2 | Do. |
| *Imperial Vancouver* | Canada | 1938 | 2,040 | 1,512 | 12 | Do. |
| *Imperial Quebec* | United States | 1944 | 16,580 | 10,716 | 14.6 | Do. |
| *Imperial Toronto* | do | 1944 | 16,570 | 10,710 | 14.6 | |
| *Imperial Winnipeg* | do | 1944 | 16,560 | 10,700 | 14.6 | Do. |
| Imperial Shipping Investment Co., Ltd., Hamilton, Bermuda, 2 ships. | | | 40,040 | 26,643 | | |
| *Sarondale* | United Kingdom | 1952 | 20,000 | 13,321 | 14½ | Other colonies. |
| *Saronglade* | do | 1952 | 20,000 | 13,322 | 14½ | Do. |
| La Columbia Soc. Merit. per Azioni, Via Asserotti 19, Genoa, Italy, 2 ships. | | | 27,242 | 18,679 | | |
| *Esso Italia* | Italy | 1932 | 17,900 | 12,175 | 12½ | Italy. |
| *Esso Trieste* | do | 1922 | 9,342 | 6,504 | 9½ | Do. |
| N. V. Petroleum Industrie Maats, Postbus 110, The Hague, Holland, 3 ships. | | | 49,685 | 32,202 | | |
| *Esso Amsterdam* | United States | 1945 | 16,560 | 10,952 | 14.6 | Netherlands. |
| *Esso Den Haag* | do | 1944 | 16,525 | 10,296 | 14.6 | Do. |
| *Esso Rotterdam* | do | 1945 | 16,600 | 10,954 | 14.6 | Do. |

*Seagoing tankers of 1,000 gross tons and over owned by United States companies and their affiliates and registered under foreign flag, as of Dec. 31, 1952*—Continued

[Includes only those parent companies incorporated in the United States]

| Parent company, affiliate, name of ship | Country in which built | Year built | Dead weight | Gross tons | Speed (knots) | Flag |
|---|---|---|---|---|---|---|
| Standard Oil Co. of New Jersey—Continued | | | | | | |
| Panama Transport Co., Apartado 3136, Panama, Republic of Panama, 30 ships. | | | 427,954 | 274,896 | | |
| *Esso Brazil* | United States | 1945 | 16,066 | 10,297 | 14.6 | Panama. |
| *Esso Buffalo* | do | 1943 | 18,500 | 11,349 | 15½ | Do. |
| *Esso Cristobal* | do | 1949 | 26,821 | 17,062 | 16 | Do. |
| *Esso Genova* | do | 1949 | 26,821 | 17,061 | 16 | Do. |
| *Esso Knoxville* | do | 1944 | 16,527 | 10,297 | 14.6 | Do. |
| *Esso Montevideo* | do | 1949 | 26,809 | 17,061 | 16 | Do. |
| *Esso Philadelphia* | do | 1942 | 18,650 | 11,236 | 16 | Do. |
| *Esso Pittsburgh* | do | 1943 | 17,930 | 11,236 | 15½ | Do. |
| *Esso Providence* | do | 1921 | 13,860 | 9,060 | 11.7 | Do. |
| *Esso Richmond* | do | 1942 | 18,500 | 11,344 | 15½ | Do. |
| *Esso Rochester* | do | 1943 | 18,500 | 11,344 | 15½ | Do. |
| *Esso San Juan* | do | 1943 | 16,765 | 11,217 | 14½ | Do. |
| *Esso Santos* | do | 1950 | 26,765 | 17,061 | 16 | Do. |
| *Esso Sao Paulo* | do | 1944 | 16,066 | 10,318 | 14.6 | Do. |
| *Esso Stockholm* | do | 1949 | 26,821 | 17,061 | 16 | Do. |
| *Esso Syracuse* | do | 1942 | 18,450 | 11,326 | 16 | Do. |
| *Fort Lane* | do | 1945 | 16,557 | 10,448 | 14.6 | Do. |
| *Maggy* | Germany | 1932 | 18,070 | 11,194 | 11.6 | Do. |
| *Missa* | United Kingdom | 1937 | 6,675 | 4,209 | 11.2 | Do. |
| *North Point* | United States | 1944 | 16,681 | 10,172 | 14.6 | Do. |
| *Andino* | Germany | 1935 | 6,095 | 4,569 | 8½ | Do. |
| *Boscan* | United Kingdom | 1937 | 5,476 | 4,311 | 10 | Do. |
| *Cumarebo* | do | 1934 | 5,402 | 4,084 | 8.7 | Do. |
| *Maracay* | do | 1931 | 5,407 | 3,794 | 8½ | Do. |
| *Pedernales* | Italy | 1938 | 5,511 | 4,317 | 10½ | Do. |
| *Quiriquire* | do | 1938 | 5,511 | 4,317 | 10 | Do. |
| *San Carlos* | United Kingdom | 1927 | 3,156 | 2,395 | 10½ | Do. |
| *Hooiberg* | do | 1928 | 3,203 | 2,180 | 10½ | Do. |
| *Sabaneta* | do | 1927 | 3,156 | 2,181 | 10½ | Do. |
| *Yamanota* | do | 1928 | 3,203 | 2,395 | 10½ | Do. |
| Esso Standard Belgium S. A., 101 Avenue de France, Antwerp, Belgium, 2 ships. | | | 31,859 | 21,327 | | |
| *Esso Belgium* | Denmark | 1937 | 15,250 | 10,568 | 11½ | Belgium. |
| *Esso Brussels* | United States | 1945 | 16,609 | 10,759 | 14.6 | Do. |
| Standard Francaise des Petroles, 136 Avenue des Champs Elysses, Paris 8, France, 2 ships. | | | 23,493 | 16,037 | | |
| *Champagne* | France | 1950 | 16,500 | 11,026 | 14 | France. |
| *Esso Guyenne* | do | 1926 | 6,993 | 5,011 | 9½ | Do. |
| Waried Tankschiff Reederei G. m. b. H., 21 Neuer Jungfernstieg, Hamburg 36, Germany, 2 ships. | | | 28,835 | 19,825 | | |
| *Esso Baltic* | Germany | 1920 | 13,580 | 9,097 | 9½ | Germany. |
| *Esso Bolivar* | do | 1937 | 15,255 | 10,728 | 11.6 | Do. |
| Compania Transportadora de Petroleos (Soc Anon), Avienda Belgrano 1580, B. A. Argentina, 2 ships. | | | 4,815 | 3,966 | | |
| *Esso Buenos Aires* | Italy | 1930 | 1,600 | 1,572 | 9 | Argentina. |
| *Esso Campana* | United Kingdom | 1928 | 3,215 | 2,394 | 10½ | Do. |

*Seagoing tankers of 1,000 gross tons and over owned by United States companies and their affiliates and registered under foreign flag, as of Dec. 31, 1952*—Continued

[Includes only those parent companies incorporated in the United States]

| Parent company, affiliate, name of ship | Country in which built | Year built | Dead weight | Gross tons | Speed (knots) | Flag |
|---|---|---|---|---|---|---|
| Standard Oil Co. of New Jersey—Continued | | | | | | |
| O/Y Esso A/B, Etelaranta 12, Postilokero 19, Helsinki, Finland: | | | | | | |
| *Esso Finlandia* | Finland | 1950 | 1,085 | 1,104 | 11 | Finland. |
| Tankers Co., Inc., Whitehall Building, 17 Battery Pl., New York 4, N. Y.: | | | | | | |
| Tankers Navigation Co., Inc., Avenida Central 33, Panama, 7 ships. | | | 189,190 | 123,185 | | |
| *Sorac Aladdin* | United States | 1949 | 27,006 | 17,597 | 16 | Panama. |
| *Sorac Astral* | do | 1949 | 27,010 | 17,598 | 16 | Do. |
| *Sorac Brilliant* | do | 1949 | 27,108 | 17,598 | 16 | Do. |
| *Sorac Comet* | do | 1950 | 27,025 | 17,598 | 16 | Do. |
| *Sorac Daylight* | do | 1950 | 27,028 | 17,598 | 16 | Do. |
| *Sorac Pegasus* | do | 1949 | 27,003 | 17,598 | 16 | Do. |
| *Sorac Radiant* | do | 1950 | 27,010 | 17,598 | 16 | Do. |
| Texas Co., The, 135 East 42d St., New York 17, N. Y.: | | | | | | |
| The Texas Co. (Norway) A/S, Stortingagt 30, Oslo, Norway, 7 ships.: | | | 110,415 | 74,888 | | |
| *America* | Germany | 1946 | 14,300 | 10,047 | 13 | Norway. |
| *North America* | Sweden | 1952 | 24,300 | 15,925 | 14 | Do. |
| *Europe* | Denmark | 1934 | 12,835 | 8,371 | 11½ | Do. |
| *Gallia* | Germany | 1939 | 14,250 | 9,974 | 13½ | Do. |
| *Nueva Andalucia* | do | 1940 | 14,430 | 9,981 | 13½ | Do. |
| *Skandinavia* | do | 1940 | 14,300 | 10,044 | 12½ | Do. |
| *Brasil* | Sweden | 1952 | 16,000 | 10,546 | 13 | Do. |
| The Texas Co. (Panama), Inc., Marine Department, 135 East 42d St., New York, N. Y., 5 ships. | | | 116,844 | 75,082 | | |
| *Ciudad De Panama* | United States | 1945 | 4,520 | 3,514 | 8 | Panama. |
| *Kentucky* | do | 1949 | 28,081 | 17,892 | 16 | Do. |
| *Ohio* | do | 1949 | 28,081 | 17,892 | 16 | Do. |
| *Pennsylvania* | do | 1949 | 28,081 | 17,892 | 16 | Do. |
| *Texas* | do | 1949 | 28,081 | 17,892 | 16 | Do. |
| Texas Petroleum Co., Maracaibo, Venezuela, 2 ships. | | | 11,862 | 9,941 | | |
| *Joburo* | United States | 1944 | 4,520 | 3,508 | 11 | Panama. |
| *Raban* | do | 1949 | 7,342 | 6,433 | 11½ | Do. |
| United Fruit Co., Pier 3, North River, New York, N. Y.: | | | | | | |
| Empresa Hondurena de Vapores, 160 Broadway, New York, N. Y.: | | | | | | |
| *Francis R. Hart* | Germany | 1938 | 11,135 | 7,623 | 12½ | Honduras. |

*Seagoing dry cargo ships [1] of 1,000 gross tons and over registered under foreign flags as of Dec. 31, 1952 arranged by parent company and their affiliates*

[Includes only those parent companies incorporated in the United States]

| Parent company, affiliate, and name of ship | Country in which built | Year built | Dead-weight tons | Gross tons | Speed (knots) | Flag |
|---|---|---|---|---|---|---|
| Grand total, 52 ships | | | 244,833 | 226,202 | | |
| Suwannee Steamship Co., Box 4069, East Adams St., Jacksonville, Fla.: | | | | | | |
| Honduras Shipping Co., Tegucigalpa, Honduras, 9 ships. | | | 33,725 | 24,220 | | |
| *Bonito* | United States | 1943 | 3,950 | 2,201 | 12 | Honduras. |
| *Casa Blanca* | do | 1943 | 4,800 | 3,010 | 12 | Do. |
| *Dolores* | do | 1944 | 4,000 | 3,010 | 11 | Do. |
| *Paluca* | do | 1943 | 3,950 | 2,201 | 11 | Do. |
| *Rita* | Netherlands | 1922 | 2,675 | 1,753 | 10 | Do. |
| *Romano* | United States | 1943 | 3,950 | 2,888 | 11 | Do. |
| *Rosario* | do | 1943 | 3,950 | 3,842 | 10½ | Do. |
| *Samana* | do | 1943 | 3,950 | 3,842 | 12 | Do. |
| *Buckeye State* | do | 1930 | 2,500 | 1,473 | 8 | Do. |
| Standard Fruit & Steamship Co., 944 St. Charles Ave. at Lee Circle, Box 830, New Orleans 2, La.: | | | | | | |
| Standard Navigation Corp., American Bank Bldg., New Orleans, La., 5 ships. | | | 18,078 | 21,625 | | |
| *Atlantida* | United Kingdom | 1924 | 3,325 | 4,191 | 15 | Do. |
| *Cefalu* | do | 1930 | 4,495 | 5,228 | 15 | Do. |
| *Contessa* | do | 1930 | 4,515 | 5,512 | 15 | Do. |
| *Catun* | do | 1925 | 2,900 | 3,362 | 14½ | Do. |
| *Granada* | do | 1925 | 2,843 | 3,332 | 14½ | Do. |
| Eros Steamship Co., Ltd., Chronicle Bldg., Granville St., Halifax, Nova Scotia: | | | | | | |
| *Eros* | do | 1936 | 5,842 | 5,933 | 16 | United Kingdom. |
| Llanrumney, Ltd., 2 Fort Royal St., Kingston, Jamaica: | | | | | | |
| St. Mary | do | 1921 | 2,600 | 2,141 | 13½ | Other colonies. |
| Hermes Steamship Agency, Inc., Alaska Commercial Bldg., 310 Sansome St., San Francisco 4, Calif.: | | | | | | |
| Cia Maritima Samsoc, Ltd., Panama, 2 ships. | | | 20,700 | 14,423 | | |
| *Andreas* | United States | 1944 | 10,350 | 7,207 | 11 | Panama. |
| *Despina* | do | 1944 | 10,350 | 7,216 | 11 | Do. |

[1] Excludes ore carriers.

*Seagoing dry cargo ships[1] of 1,000 gross tons and over registered under foreign flags as of Dec. 31, 1952 arranged by parent company and their affiliates*—Continued

[Includes only those parent companies incorporated in the United States]

| Parent company, affiliate, name of ship | Country in which built | Year built | Dead-weight tons | Gross tons | Speed (knots) | Flag |
|---|---|---|---|---|---|---|
| United Fruit Co., 80 Federal St., Boston 10, Mass.: | | | | | | |
| Empresa Hondurena de Vapores, Puerto Cortez, Honduras, 20 ships. | | | 86,427 | 78,904 | | |
| *Argual* | United Kingdom | 1927 | 2,615 | 2,690 | 12 | Honduras. |
| *Aztec* | do | 1929 | 4,878 | 5,383 | 14½ | Do. |
| *Choloma* | United States | 1945 | 5,900 | 3,805 | 10 | Do. |
| *Chaluteca* | do | 1945 | 6,090 | 3,805 | 10½ | Do. |
| *Copan* | do | 1945 | 5,930 | 3,805 | 10 | Do. |
| *Darien* | United Kingdom | 1924 | 3,320 | 4,283 | 13½ | Do. |
| *Iriona* | do | 1927 | 2,159 | 3,882 | 14½ | Do. |
| *La Playa* | do | 1923 | 3,238 | 3,682 | 12 | Do. |
| *Mabay* | United States | 1945 | 5,900 | 3,806 | 10 | Do. |
| *Managui* | do | 1945 | 5,900 | 3,805 | 10 | Do. |
| *Maya* | United Kingdom | 1929 | 4,959 | 5,383 | 14½ | Do. |
| *Mayari* | do | 1921 | 3,965 | 2,795 | 10 | Do. |
| *Musa* | do | 1930 | 5,280 | 5,662 | 15½ | Do. |
| *Leon* | Germany | 1952 | 3,880 | 2,765 | 14½ | Do. |
| *Lempa* | do | 1952 | 3,880 | 2,765 | 14½ | Do. |
| *Orotava* | United Kingdom | 1927 | 2,610 | 2,711 | 12 | Do. |
| *Platano* | do | 1930 | 5,270 | 5,949 | 15½ | Do. |
| *San Benito* | do | 1921 | 3,160 | 3,686 | 12½ | Do. |
| *Telde* | do | 1927 | 2,615 | 2,726 | 12 | Do. |
| *Toltec* | do | 1929 | 4,878 | 5,516 | 14½ | Do. |
| Elders & Fyffes, Ltd., 15 Stratton St., Piccadilly, London, W. 1, 14 ships. | | | 77,461 | 78,956 | | |
| *Ariguano* | United Kingdom | 1926 | 6,375 | 6,763 | 13 | United Kingdom. |
| *Bayano* | do | 1917 | 6,690 | 6,815 | 13 | Do. |
| *Cabina* | do | 1924 | 6,375 | 6,923 | 13 | Do. |
| *Corrales* | do | 1930 | 6,166 | 5,358 | 14 | Do. |
| *Golfito* | do | 1949 | 7,287 | 8,736 | 17½ | Do. |
| *Manistee* | do | 1932 | 6,010 | 5,824 | 14 | Do. |
| *Matina* | do | 1946 | 7,583 | 6,801 | 17½ | Do. |
| *Nicoya* | Germany | 1935 | 2,900 | 3,843 | 14 | Do. |
| *Pacuare* | do | 1934 | 2,644 | 3,675 | 14 | Do. |
| *Perentazon* | do | 1939 | 4,020 | 4,876 | 15½ | Do. |
| *Tetela* | United Kingdom | 1926 | 6,253 | 5,402 | 13 | Do. |
| *Tilapa* | do | 1928 | 6,253 | 5,401 | 13 | Do. |
| *Tortuguero* | do | 1921 | 6,530 | 5,297 | 12½ | Do. |
| *Zent* | Sweden | 1938 | 2,575 | 3,242 | 15 | Do. |

[1] Excludes ore carriers.

Mr. DREWRY. Can you give us some indication of the ships that are bringing in ore to American mills, and how much of the ore-carrying for instance, is by foreign-flag ships and by American-flag ships?

Mr. CLARK. Is your question directed to iron ore?

Mr. DREWRY. I would say any ore, but I was thinking about iron ore.

Senator POTTER. Any ship that would require an ore carrier, I assume. I am wondering, also, if you could include the Great Lakes on that?

Mr. CLARK. I think the question you have now posed to me, Senator, makes me put my IBM machines to work. We will make an effort to do this, and supply it.

Mr. STAKEM. We have some broken out on these charts to show the ore imports in the years 1950, 1951, and 1952.

Senator POTTER. Is that ore?

Mr. STAKEM. Yes, ore imports. For instance, in 1950 we had 58 percent carried in United States-flag, and 42 percent carried in foreign, and in 1951 we had, in the ores, 66 percent carried in American ships, and 34 percent in foreign. In 1952, you had Americans carrying 66 percent against the 34 percent foreign.

Senator POTTER. It seems to me that is a trade that is going to increase tremendously in the coming years. If we do not make some provision to get more American ore carriers, even from a national defense standpoint, it is not going to be a healthy situation.

Mr. CLARK. I am happy to hear you make that statement, because certainly, in my book, it is true.

Mr. DREWRY. Do you include the Great Lakes movement in that?

Mr. STAKEM. No; it is just the oceanborne.

Mr. CLARK. The business of our nonliner picked up again after Korea, carrying 19 percent in 1951, but in 1952 they carried only 12 percent of the dry-cargo total.

The years for which figures are available show that our American industrial carrier has always carried the major portion of this ore trade. In 1952, the percentage was 66.

The second and third charts of this series develop the same pattern of trade breakdown for exports and imports separately, and the percent of participation—United States as against foreign in each carrier category. Your committee will desire to incorporate these charts into the record at this point.

Mr. Chairman, I offer these charts for entry into the record, if you so desire.

Senator POTTER. They will be entered into the record at this point.

(The charts referred to are as follows:)

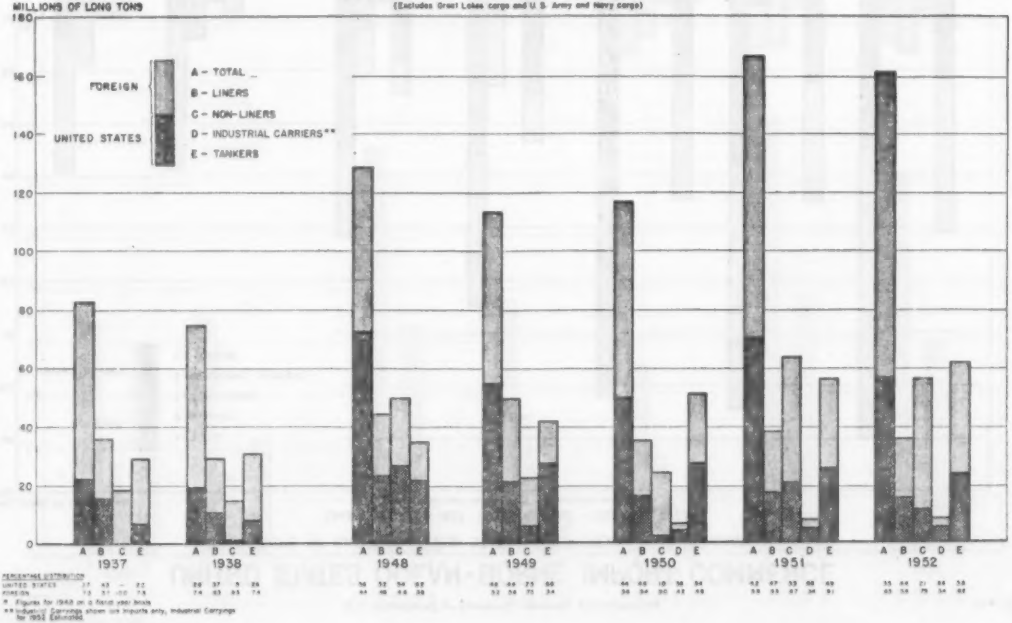
U.S. DEPARTMENT OF COMMERCE - MARITIME ADMINISTRATION Chart 31

# TOTAL UNITED STATES OCEAN-BORNE FOREIGN COMMERCE

## BY TYPE OF CARRIER, UNITED STATES AND FOREIGN FLAG SEPARATELY

CALENDAR YEARS 1937 - 1938 AND 1948* - 1952 INCLUSIVE

(Excludes Great Lakes cargo and U.S. Army and Navy cargo)




PERCENTAGE DISTRIBUTION

| | 1937 | | | | 1938 | | | | 1948 | | | | 1949 | | | | 1950 | | | | 1951 | | | | 1952 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | A | B | C | E | A | B | C | E | A | B | C | E | A | B | C | E | A | B | D | E | A | B | D | E | A | B | D | E |
| UNITED STATES | 17 | 43 | — | 22 | 26 | 37 | 5 | 26 | 56 | 52 | 54 | 62 | 46 | 44 | 23 | 66 | 44 | 46 | 10 | 34 | 42 | 47 | 33 | 48 | 35 | 44 | 21 | 38 |
| FOREIGN | 83 | 57 | 100 | 78 | 74 | 63 | 95 | 74 | 44 | 48 | 46 | 38 | 54 | 56 | 77 | 34 | 56 | 54 | 90 | 66 | 58 | 53 | 67 | 52 | 65 | 56 | 79 | 62 |

* Figures for 1948 on a fiscal year basis.

** Industrial Carriage shown are imports only. Industrial Carriage for 1952 Estimated.

U.S. DEPARTMENT OF COMMERCE - MARITIME ADMINISTRATION

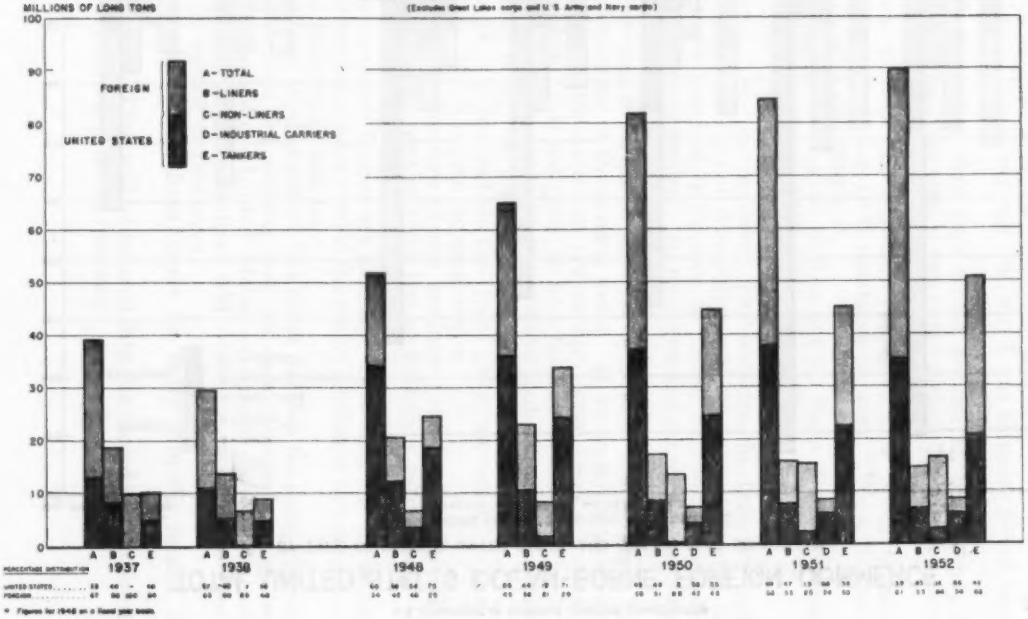
Chart 22

# UNITED STATES OCEAN-BORNE IMPORT COMMERCE

## BY TYPE OF CARRIER, UNITED STATES AND FOREIGN FLAG SEPARATELY

CALENDAR YEARS 1937 - 1938 AND 1948* - 1952 INCLUSIVE

(Excludes Great Lakes cargo and U.S. Army and Navy cargo)




PERCENTAGE DISTRIBUTION

| | A | B | C | D | E |
|---|---|---|---|---|---|
| UNITED STATES | 33 | 46 | - | - | 46 |
| FOREIGN | 67 | 54 | 100 | 100 | 54 |
| UNITED STATES | 57 | 140 | 7 | - | 98 |
| FOREIGN | 43 | 60 | 93 | 100 | 40 |
| UNITED STATES | 40 | 58 | 54 | - | 75 |
| FOREIGN | 60 | 42 | 46 | 100 | 25 |
| UNITED STATES | 35 | 44 | 9 | - | 71 |
| FOREIGN | 65 | 56 | 91 | 100 | 29 |
| UNITED STATES | 48 | 48 | 8 | 50 | 55 |
| FOREIGN | 52 | 52 | 92 | 50 | 45 |
| UNITED STATES | 69 | 47 | 19 | 98 | 50 |
| FOREIGN | 31 | 53 | 81 | 2 | 50 |
| UNITED STATES | 39 | 85 | 14 | 85 | 45 |
| FOREIGN | 61 | 15 | 86 | 15 | 55 |

* Figures for 1948 on a fiscal year basis.

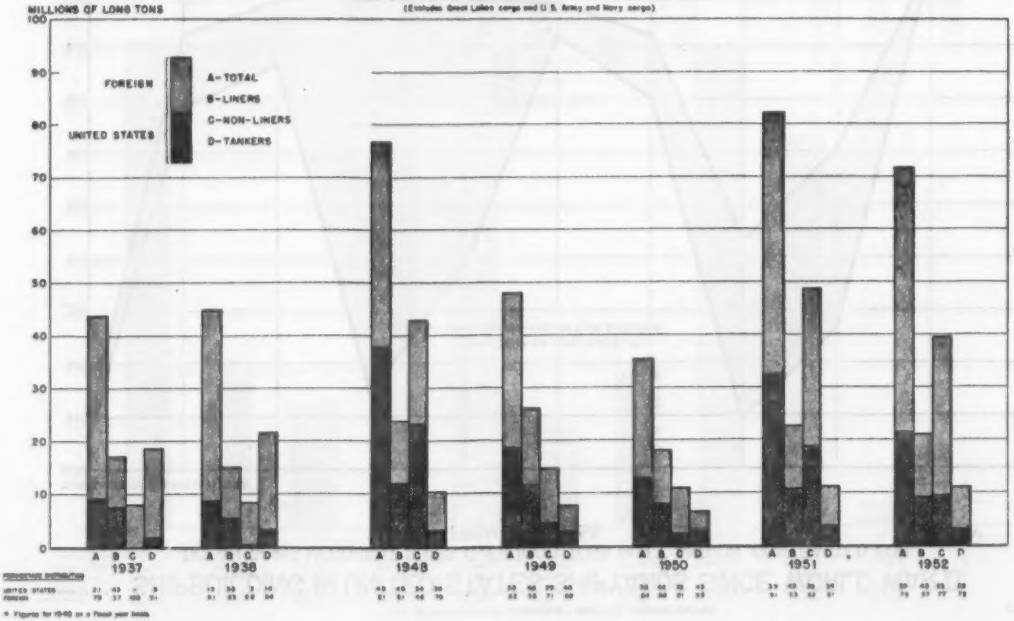
U. S. DEPARTMENT OF COMMERCE - MARITIME ADMINISTRATION Chart 23

# UNITED STATES OCEAN-BORNE EXPORT COMMERCE

## BY TYPE OF CARRIER, UNITED STATES AND FOREIGN FLAG SEPARATELY

CALENDAR YEARS 1937 - 1938 AND 1948* - 1952 INCLUSIVE

(Excludes Great Lakes cargo and U. S. Army and Navy cargo)




PERCENTAGE DISTRIBUTION

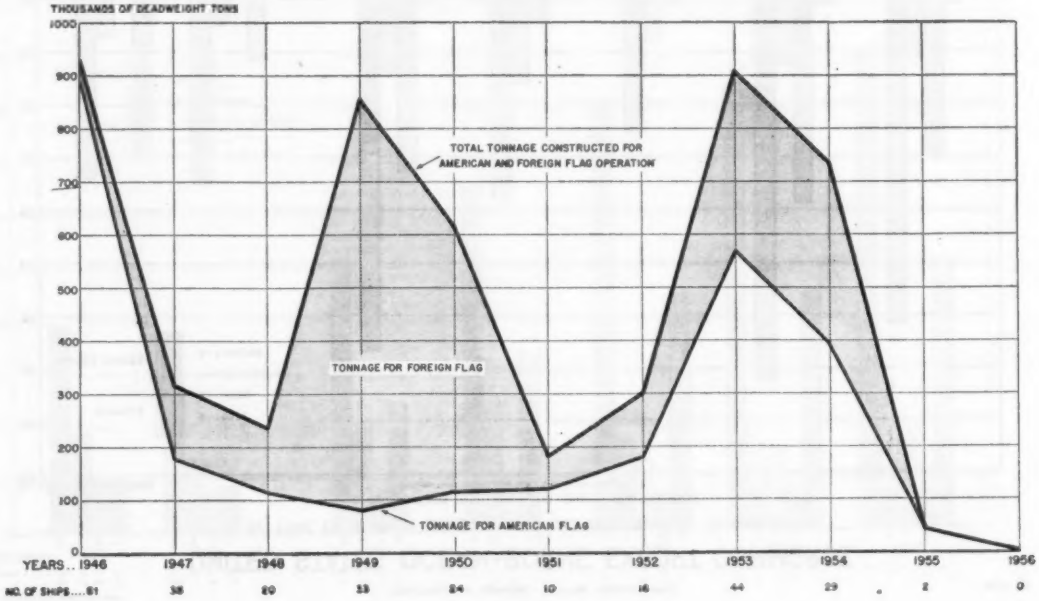
| | A | B | C | D |
|---|---|---|---|---|
| UNITED STATES | 21 | 43 | – | 9 |
| FOREIGN | 79 | 57 | 100 | 91 |
| UNITED STATES | 19 | 36 | 3 | 14 |
| FOREIGN | 81 | 64 | 97 | 86 |
| UNITED STATES | 43 | 45 | 34 | 30 |
| FOREIGN | 57 | 55 | 66 | 70 |
| UNITED STATES | 38 | 46 | 29 | 40 |
| FOREIGN | 62 | 54 | 71 | 60 |
| UNITED STATES | 36 | 44 | 35 | 45 |
| FOREIGN | 64 | 56 | 65 | 55 |
| UNITED STATES | 39 | 45 | 36 | 39 |
| FOREIGN | 61 | 55 | 64 | 61 |
| UNITED STATES | 28 | 43 | 23 | 28 |
| FOREIGN | 72 | 57 | 77 | 72 |

* Figures for 1948 on a fiscal year basis.

U.S. DEPARTMENT OF COMMERCE – MARITIME ADMINISTRATION Chart 24

# SHIPBUILDING IN UNITED STATES SHIPYARDS SINCE WORLD WAR II

## OCEAN GOING MERCHANT SHIPS OVER 1000 TONS BUILT AND/OR CONTRACTED FOR FROM 1946 – 1956

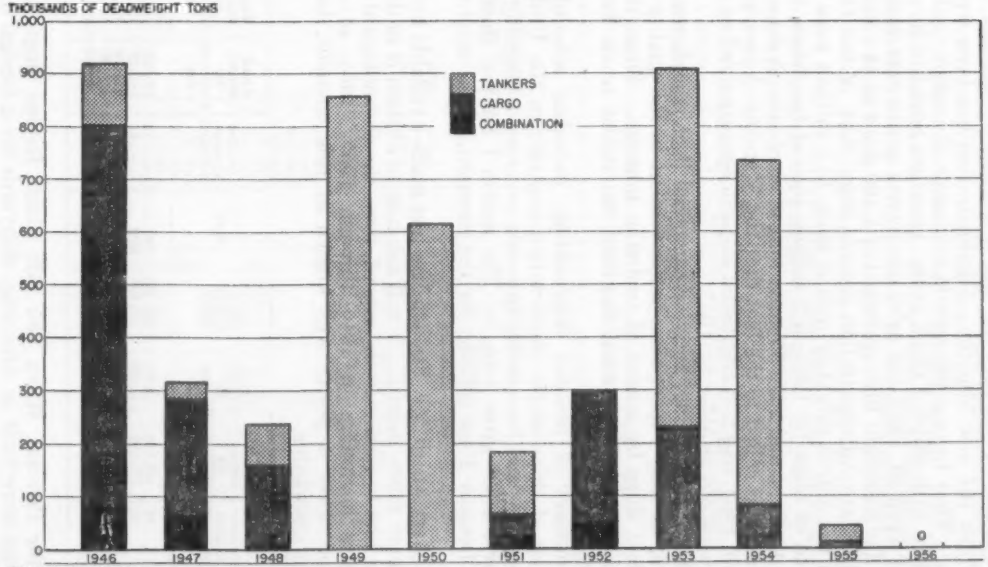


U.S. DEPARTMENT OF COMMERCE - MARITIME ADMINISTRATION Chart 25

# SHIPBUILDING BY TYPES AND REGIONS SINCE WORLD WAR II

## OCEAN GOING MERCHANT SHIPS OVER 1,000 TONS

## 1946-1956




TOTAL PER REGION (ACTUAL)

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| EAST COAST | 320,136 | 183,099 | 170,267 | 849,670 | 615,000 | 171,484 | 286,600 | 868,000 | 668,430 | 26,990 | 0 |
| GULF COAST | 115,087 | 93,401 | 47,280 | 7,330 | 0 | 10,516 | 13,400 | 26,800 | 26,800 | 0 | 0 |
| WEST COAST | 245,217 | 39,500 | 10,518 | 0 | 0 | 0 | 0 | 13,400 | 40,200 | 13,400 | 0 |
| | 680,440 | 316,000 | 234,000 | 857,000 | 615,000 | 182,000 | 300,000 | 908,200 | 736,430 | 40,390 | 0 |

Mr. CLARK. I should like, now, to turn to the ship-replacement program.

Mr. DREWRY. "Program" or "problem"?

Mr. CLARK. It is a program and it is a terrific problem. It is one with which the new Maritime Administration has been wrestling for 3 years. They have made several studies on the subject. It presents a problem with which I think every American ought to be concerned.

As of April 30, 1953, the privately owned active oceangoing United States-flag merchant fleet consisted of 1,199 ships of 14.7 million tons. The Maritime Administration records show that, of the 14.7 million tons in the active privately owned fleet, 13.7 million tons will be 20 years old or older by 1965—7.3 million tons of freighters, 6.2 million tons of tankers, and 237,000 gross tons of combination ships.

Attention is called to the fact that the Maritime Administration on April 30, 1953, had 230 additional ships in operation, all of which will be 20 years old or older by 1965.

As the present aging, active commercial fleet is replaced with new tonnage, we may expect some improvement in the quality of the reserve-fleet ships by reason of traded-in tonnage. These two factors will go a long way toward fulfilling the initial needs for national defense.

A summary of postwar shipbuilding, including scheduled future deliveries of ships under construction contract in the United States for American- and foreign-flag interests covering oceangoing merchant ships over 1,000 gross tons, is: The reason I lumped them together here is because I am talking, for the moment, of the shipbuilding we have.

The chart which Mr. Stakem has just made available here, as I go along, may prove helpful. I will ask him to explain it in detail later. I would like to read into the record, now, the chronological report for the years beginning in 1946 through 1955. 1955, of course, is projected; 1954 is pretty well known at this moment, based upon contract knowledge.

| Year | Number of ships delivered | Dead weight for American flag | Dead weight for foreign flag | Dead-weight total | Year | Number of ships delivered | Dead weight for American flag | Dead weight for foreign flag | Dead-weight total |
|---|---|---|---|---|---|---|---|---|---|
| 1946 | 81 | 895,630 | 24,800 | 920,430 | 1951 | 10 | 120,000 | 62,000 | 182,000 |
| 1947 | 38 | 176,000 | 140,000 | 316,000 | 1952 | 16 | 180,000 | 120,000 | 300,000 |
| 1948 | 20 | 115,000 | 121,000 | 236,000 | 1953 | 44 | 569,350 | 339,850 | 909,200 |
| 1949 | 33 | 80,000 | 777,000 | 857,000 | 1954 | 29 | 392,780 | 343,650 | 736,430 |
| 1950 | 24 | 116,000 | 499,000 | 615,000 | 1955 | 2 | 40,350 | | 40,350 |

Senator POTTER. When you talk about foreign flags, these were ships that were built in American shipyards for a foreign flag?

Mr. CLARK. That is correct. There is projected for 1955 two ships. These are reefer ships, I believe.

Mr. STAKEM. I think they are.

Mr. CLARK. Which are commercial ships, in the main, which we are building for the Navy, for Navy's account.

Mr. STAKEM. I want to correct that. Probably not. I do not think they are under contract at the present time. This represents ships under contract. They may be Mariners.

Mr. CLARK. I want to correct that, Mr. Chairman. We do have a Mariner or two that are coming off the ways in 1955 through Bethlehem, out in California. There may be two ships here; however, they are reefer ships being built for the Navy.

Senator POTTER. Do you have any figures as to the number of ships that have been constructed showing those built with and those built without a construction-subsidy contract?

Mr. CLARK. For all these years?

Senator POTTER. Yes; for all these years, if you have them.

Mr. CLARK. We have the figures. Would you like to have those?

Senator POTTER. I would like to have those for the record.

(The material referred to is as follows:)

*Oceangoing United States flagships built for private account—With and without construction subsidy*

PART I—TOTAL SHIPS BUILT FOR PRIVATE ACCOUNT IN UNITED STATES SHIPYARDS

| Year | Without subsidy | | With subsidy | | | | Total | |
|---|---|---|---|---|---|---|---|---|
| | | | Title V | | Started by Government aid and sold under title V [1] | | | |
| | Number of ships | Deadweight tons | Number of ships | Deadweight tons | Number of ships | Deadweight tons | Number | Deadweight tons |
| 1936 | 9 | 107,000 | 0 | | 0 | | 9 | 107,000 |
| 1937 | 15 | 196,000 | 0 | | 0 | | 15 | 196,000 |
| 1938 | 19 | 226,000 | 0 | | 0 | | 19 | 226,000 |
| 1939 | 7 | 87,000 | 17 | 217,000 | 2 | 20,000 | 26 | 324,000 |
| 1940 | 15 | 195,000 | 31 | 366,000 | 5 | 53,000 | 51 | 614,000 |
| 1941 | [2] 28 | 393,000 | 27 | 263,000 | 24 | 229,000 | 79 | 885,000 |
| 1946 | [2] 11 | 131,000 | 3 | 72,000 | 30 | 316,000 | 44 | 539,000 |
| 1947 | 3 | 30,000 | 8 | 44,000 | 9 | 91,000 | 20 | 165,000 |
| 1948 | 4 | 86,000 | 4 | 20,000 | 0 | | 8 | 106,000 |
| 1949 | 3 | 80,000 | 0 | | 0 | | 3 | 80,000 |
| 1950 | 4 | 110,000 | 0 | | 0 | | 4 | 110,000 |
| 1951 | 4 | 85,000 | 2 | 24,000 | 0 | | 6 | 109,000 |
| 1952 | 4 | 70,000 | 1 | 18,000 | 0 | | 5 | 83,000 |
| 1953 (June 30) | 7 | 174,000 | 0 | | 0 | | 7 | 174,000 |

See footnotes at end of table, p. 310.

*Oceangoing United States flagships built for private account—With and without construction subsidy*—Continued

PART II—TANKERS BUILT FOR PRIVATE ACCOUNT IN UNITED STATES SHIPYARDS

| Year | Without subsidy | | With subsidy | | Total | |
|---|---|---|---|---|---|---|
| | Number | Dead weight tons | Number | Dead weight tons | Number | Dead weight tons |
| 1936 | 9 | 107,000 | 0 | | 9 | 107,000 |
| 1937 | 15 | 196,000 | 0 | | 15 | 196,000 |
| 1938 | 17 | 221,000 | 0 | | 17 | 221,000 |
| 1939 | 4 | 66,000 | [4] 7 | 127,000 | 11 | 193,000 |
| 1940 | 12 | 169,000 | [4] 5 | 91,000 | 17 | 260,000 |
| 1941 | 20 | 310,000 | 0 | | 20 | 310,000 |
| 1946 | 7 | 117,000 | 0 | | 7 | 117,000 |
| 1947 | 2 | 6,000 | 0 | | 2 | 6,000 |
| 1948 | 1 | 13,000 | 0 | | 1 | 13,000 |
| 1949 | 3 | 80,000 | 0 | | 3 | 80,000 |
| 1950 | 4 | 110,000 | 0 | | 4 | 110,000 |
| 1951 | 2 | 60,000 | 0 | | 2 | 60,000 |
| 1952 | 4 | 70,000 | 0 | | 4 | 70,000 |
| 1953 (June 30) | 7 | 174,000 | 0 | | 7 | 174,000 |

PART III—CARGO SHIPS BUILT FOR PRIVATE ACCOUNT IN UNITED STATES SHIPYARDS

| | | | | | | |
|---|---|---|---|---|---|---|
| 1936 | 0 | | 0 | | 0 | |
| 1937 | 0 | | 0 | | 0 | |
| 1938 | 2 | 5,000 | 0 | | 2 | 5,000 |
| 1939 | 0 | | 10 | 90,000 | 10 | 90,000 |
| | | | [1] 2 | 20,000 | 2 | 20,000 |
| 1940 | 3 | 27,000 | 20 | 212,000 | 23 | 239,000 |
| | | | [1] 5 | 53,000 | 5 | 53,000 |
| 1941 | 6 | 64,000 | 20 | 196,000 | 26 | 260,000 |
| | [2] 2 | 18,000 | [1] 22 | 209,000 | 24 | 227,000 |
| 1946 | 1 | 2,300 | 3 | 72,000 | 4 | 74,000 |
| | [3] 3 | 32,000 | [1] 21 | 231,000 | 24 | 263,000 |
| 1947 | 1 | 24,000 | 8 | 44,000 | 9 | 68,000 |
| | | | [1] 3 | 35,000 | 3 | 35,000 |
| 1948 | 3 | 73,000 | 4 | 20,000 | 7 | 93,000 |
| 1949 | 0 | | 0 | | 0 | |
| 1950 | 0 | | 0 | | 0 | |
| 1951 | 2 | 25,000 | 0 | | 2 | 25,000 |
| 1952 | 0 | | 0 | | 0 | |
| 1953 (June 30) | 0 | | 0 | | 0 | |

PART IV—COMBINATION SHIPS BUILT FOR PRIVATE ACCOUNT IN UNITED STATES SHIPYARDS

| | | | | | | |
|---|---|---|---|---|---|---|
| 1936 | 0 | | 0 | | 0 | |
| 1937 | 0 | | 0 | | 0 | |
| 1938 | 0 | | 0 | | 0 | |
| 1939 | 3 | 21,000 | 0 | | 3 | 21,000 |
| 1940 | 0 | | 6 | 62,000 | 6 | 62,000 |
| 1941 | 0 | | 7 | 68,000 | 7 | 68,000 |
| | | | [1] 2 | 20,000 | 2 | 20,000 |
| 1946 | 0 | | [1] 9 | 85,000 | 9 | 85,000 |
| 1947 | 0 | | [1] 6 | 56,000 | 6 | 56,000 |
| 1948 | 0 | | 0 | | 0 | |
| 1949 | 0 | | 0 | | 0 | |
| 1950 | 0 | | 0 | | 0 | |
| 1951 | 0 | | 2 | 24,000 | 2 | 24,000 |
| 1952 | 0 | | 1 | 13,000 | 1 | 13,000 |
| 1953 (June 30) | 0 | | 0 | | 0 | |

[1] These ships were started under title VII, or World War II authority and later sold under title V (with subsidy).
[2] 2 ships started under title VII and later sold to private account, without subsidy.
[3] 3 ships started under World War II authority and later sold to private account, without subsidy.
[4] 12 "Cimarron" class tankers. The cost of increased speed was paid for by the Government as a national-defense feature.

Mr. DREWRY. Could you also give us for some prewar period a similar picture? I am thinking about this foreign-flag construction to see how much of that took place in prewar years. You do give an explanation further on as to why this is. Also, as to the foreign-flag construction, is that mostly tanker construction?

Mr. STAKEM. Yes.

Mr. CLARK. For the last few years, that is true. I think we could submit that. You say the prewar period. You are thinking of from 1937 through 1940?

Mr. DREWRY. I go even further back than that, to see whether there is anything normal to be considered in any foreign construction.

Mr. CLARK. Do you want to go back before the beginning of the Merchant Marine Act of 1936?

**STATEMENT OF J. L. PIMPER, ASSISTANT TO GENERAL COUNSEL, MARITIME ADMINISTRATION**

Mr. PIMPER. I think we can do it from 1928 or 1932 through 1940.

Mr. DREWRY. That would be a representative period, I think.

Mr. CLARK. We will do that.

Senator POTTER. That information will be submitted and made a part of the record at this point.

(The material referred to is as follows:)

*Number and tonnage of seagoing merchant vessels of 1,000 gross tons each and over constructed in United States shipyards for operation under United States and foreign flags for the years 1928 to 1940, inclusive*

PART 1—SUMMARY

[Tonnage in thousands]

| Year | Total | | | United States flag | | | Foreign flags | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons | Number | Gross tons | Dead-weight tons |
| 1928 | 5 | 65 | 70 | 5 | 65 | 70 | | | |
| 1929 | 8 | 46 | 54 | 8 | 46 | 54 | | | |
| 1930 | 17 | 150 | 203 | 17 | 150 | 203 | | | |
| 1931 | 13 | 145 | 139 | 13 | 145 | 139 | | | |
| 1932 | 16 | 147 | 107 | 16 | 147 | 107 | | | |
| 1933 | 5 | 51 | 34 | 5 | 51 | 34 | | | |
| 1934 | 6 | 15 | 23 | 6 | 15 | 23 | | | |
| 1935 | 2 | 19 | 30 | 2 | 19 | 30 | | | |
| 1936 | 9 | 65 | 107 | 9 | 65 | 107 | | | |
| 1937 | 15 | 124 | 196 | 15 | 124 | 196 | | | |
| 1938 | 19 | 140 | 218 | 19 | 140 | 218 | | | |
| 1939 | 28 | 242 | 341 | 28 | 242 | 341 | | | |
| 1940 | 56 | 458 | 658 | 56 | 458 | 658 | | | |

PART 2—COMBINATION PASSENGER AND CARGO SHIPS

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 1928 | 3 | 44 | 37 | 3 | 44 | 37 | | | |
| 1929 | 3 | 25 | 21 | 3 | 25 | 21 | | | |
| 1930 | 5 | 49 | 39 | 5 | 49 | 39 | | | |
| 1931 | 9 | 109 | 80 | 9 | 109 | 80 | | | |
| 1932 | 13 | 129 | 82 | 13 | 129 | 82 | | | |
| 1933 | 4 | 50 | 32 | 4 | 50 | 32 | | | |
| 1934 | | | | | | | | | |
| 1935 | | | | | | | | | |
| 1936 | | | | | | | | | |
| 1937 | | | | | | | | | |
| 1938 | | | | | | | | | |
| 1939 | 3 | 30 | 20 | 3 | 30 | 20 | | | |
| 1940 | 6 | 69 | 61 | 6 | 69 | 61 | | | |

PART 3—FREIGHTERS

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 1928 | | | | | | | | | |
| 1929 | 2 | 9 | 14 | 2 | 9 | 14 | | | |
| 1930 | | | | | | | | | |
| 1931 | | | | | | | | | |
| 1932 | 2 | 16 | 22 | 2 | 16 | 22 | | | |
| 1933 | 1 | 1 | 2 | 1 | 1 | 2 | | | |
| 1934 | 2 | 10 | 15 | 2 | 10 | 15 | | | |
| 1935 | | | | | | | | | |
| 1936 | | | | | | | | | |
| 1937 | | | | | | | | | |
| 1938 | 2 | 6 | 4 | 2 | 6 | 4 | | | |
| 1939 | 14 | 92 | 129 | 14 | 92 | 129 | | | |
| 1940 | 34 | 241 | 355 | 34 | 241 | 355 | | | |

PART 4—TANKERS

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 1928 | 2 | 21 | 33 | 2 | 21 | 33 | | | |
| 1929 | 3 | 12 | 19 | 3 | 12 | 19 | | | |
| 1930 | 12 | 101 | 164 | 12 | 101 | 164 | | | |
| 1931 | 4 | 36 | 59 | 4 | 36 | 59 | | | |
| 1932 | 1 | 2 | 3 | 1 | 2 | 3 | | | |
| 1933 | | | | | | | | | |
| 1934 | 4 | 5 | 8 | 4 | 5 | 8 | | | |
| 1935 | 2 | 19 | 30 | 2 | 19 | 30 | | | |
| 1936 | 9 | 65 | 107 | 9 | 65 | 107 | | | |
| 1937 | 15 | 124 | 196 | 15 | 124 | 196 | | | |
| 1938 | 17 | 134 | 214 | 17 | 134 | 214 | | | |
| 1939 | 11 | 120 | 192 | 11 | 120 | 192 | | | |
| 1940 | 16 | 148 | 242 | 16 | 148 | 242 | | | |

Senator POTTER. You state most of your foreign-flag vessels are tankers.

Mr. CLARK. The ones that have been built over the past few years, since 1950, are in the main, I believe, the tankers; yes, sir. I think practically all of them that are now in the yards are tankers.

Senator POTTER. Do we have any knowledge as to the construction in the past few years that has taken place by American shipowners in foreign yards?

Mr. CLARK. We have that information.

Senator POTTER. That would be interesting to have.

Mr. CLARK. I believe we published that recently and can enter it for the record.

Senator POTTER. We will make it a part of the record at this point.

(The material referred to is as follows:)

36174—53—pt. 1——21

*Seagoing tankers of 1,000 gross tons and over constructed in foreign shipyards for the period Jan. 1, 1947, to Apr. 30, 1953, for the account of United States companies and their affiliates and registered under foreign flags*

| Parent company, affiliate, and name of ship | Country in which built | Year built | Dead weight | Gross tons | Speed (knots) | Flag |
|---|---|---|---|---|---|---|
| Grand total, 26 ships | | | 398, 520 | 259, 382 | | |
| Gulf Oil Corp., 17 Battery Pl., New York 4, N. Y.: | | | | | | |
| Afran Transport Co., 2 ships: | | | 49, 250 | 31, 559 | | |
| *Magwa* | United Kingdom | 1951 | 24, 625 | 15, 746 | 14 | Liberia. |
| *Suhail* | do | 1952 | 24, 625 | 15, 813 | 14 | Do. |
| Belgian Gulf Oil Co., S. A.: | | | | | | |
| *Belgian Pride* | Belgium | 1949 | 12, 900 | 9, 240 | 13 | Belgium. |
| Ludwig, D. K., 600 5th Ave., New York, N. Y.: | | | | | | |
| Universe Tankships, Inc., 2 ships: | | | 76, 000 | 42, 506 | | |
| *Petroking* | Japan | 1953 | 38, 000 | 21, 244 | 16 | Liberia. |
| *Petrokure* | | 1953 | 38, 000 | 21, 262 | 14 | Do. |
| Socony Vacuum Oil Co., Inc., 26 Broadway, New York 4, N. Y.: | | | | | | |
| Standard Vacuum Transportation Co., Ltd: | | | | | | |
| *Stanvac Japan* | Japan | 1953 | 26, 650 | 17, 380 | 17 | United Kingdom. |
| Standard Oil Co. of California, 225 Bush St., San Francisco, Calif.: | | | | | | |
| Nederlandsche Pacific Tankvaart Maats, 3 ships. | | | 9, 660 | 5, 951 | | |
| *Caltex Rupat* | Netherlands | 1952 | 3, 220 | 1, 984 | 10½ | Netherlands. |
| *Caltex Pakanburu* | Belgium | 1952 | 3, 220 | 1, 983 | 11 | Do. |
| *Caltex Bengkalis* | Netherlands | 1952 | 3, 220 | 1, 984 | 10½ | Do. |
| Overseas Tankship Corp., 3 ships. | | | 51, 075 | 34, 604 | | |
| *Caltex Antwerp* | Belgium | 1950 | 17, 200 | 11, 868 | 14½ | Panama. |
| *Caltex Brussels* | do | 1951 | 17, 375 | 11, 868 | 14½ | Do. |
| *Caltex Liege* | do | 1951 | 16, 500 | 10, 868 | 14½ | Do. |
| Overseas Tankship (United Kingdom), Ltd., 6 ships. | | | 83, 700 | 57, 660 | | |
| *Caltex Kenya* | United Kingdom | 1952 | 12, 300 | 8, 523 | 13¾ | United Kingdom. |
| *Caltex Tanganyika* | do | 1952 | 12, 300 | 8, 523 | 13¾ | Do. |
| *Caltex Delhi* | do | 1952 | 12, 300 | 8, 527 | 14 | Do. |
| *Caltex Liverpool* | do | 1952 | 17, 250 | 11, 814 | 15 | Do. |
| *Caltex Calcutta* | do | 1952 | 12, 300 | 8, 527 | 14 | Do. |
| *Caltex Canberra* | do | 1953 | 17, 250 | 11, 746 | 15 | Do. |
| Standard Oil Co. of New Jersey, 30 Rockefeller Plaza, New York 20, N. Y.: | | | | | | |
| Esso Standard Société Anonyme Française, 3 ships. | | | 7, 900 | 6, 264 | | |
| *Esso Port Jerome* | France | 1947 | 2, 700 | 1, 969 | 9½ | France. |
| *Esso Poche Maurice* | | 1948 | 2, 700 | 1, 970 | 9½ | Do. |
| *Esso Le Caroubier* | Netherlands | 1952 | 2, 500 | 2, 325 | 11 | Do. |
| Imperial Shipping Investment Co., Ltd., 2 ships. | | | 40, 000 | 26, 643 | | |
| *Saxondale* | United Kingdom | 1952 | 20, 000 | 13, 321 | 14½ | Other colonies. |
| *Saxonglade* | do | 1952 | 20, 000 | 13, 322 | 14½ | Do. |
| O/Y Esso A/B: | | | | | | |
| *Esso Finlandia* | Finland | 1950 | 1, 085 | 1, 104 | 11 | Finland. |
| Texas Co., The, 135 East 42d St., New York 17, N. Y.: | | | | | | |
| The Texas Co. (Norway) A/S, 2 ships. | | | 40, 300 | 26, 471 | | |
| *North America* | Sweden | 1952 | 24, 300 | 15, 925 | 14 | Norway. |
| *Brasil* | do | 1952 | 16, 000 | 10, 546 | 13 | Do. |

*Seagoing ore carriers of 1,000 gross tons and over constructed in foreign shipyards for the period Jan. 1, 1947, to Apr. 30, 1953, for the account of United States companies and their affiliates and registered under foreign flags*

| Parent company, affiliate, name of ship | Country in which built | Year built | Dead-weight tons | Gross tons | Speed (knots) | Flag |
|---|---|---|---|---|---|---|
| Grand total, 5 ships | | | 75,250 | 57,442 | | |
| Aluminum Company of America, Inc., 801 Gulf Bldg., Pittsburgh, Pa.: | | | | | | |
| Alcoa S. S. Co., Inc., 17 Battery Pl., New York 4, N. Y.: | | | | | | |
| Pan-Ore S. S. Co., 17 Battery Pl., New York 4, N. Y., 2 ships. | | | 18,000 | 10,932 | | |
| *Pathfinder* | United Kingdom | 1950 | 9,000 | 5,466 | 12 | Panama. |
| *Prospector* | do | 1950 | 9,000 | 5,466 | 12 | Do. |
| Republic Steel Corp., New Jersey: | | | | | | |
| Skibs A/S Orenor, 2 ships | | | 44,100 | 35,671 | | |
| *Enduro* | United Kingdom | 1952 | 21,700 | 17,818 | 14¼ | Norway. |
| *Bomi Hills* | do | 1952 | 22,400 | 17,853 | 14¼ | Do. |
| Reynolds Metal Co., 3d and Grace Sts., Richmond 19, Va.: | | | | | | |
| Tropical S. S. Co., Ltd., c/o Reynolds Jamaica Mines, Ltd., Lydfold Post Office, St. Ann, Jamaica: | | | | | | |
| *Carl Schmedeman* | United Kingdom | 1952 | 13,150 | 10,839 | 15 | Other colonies. |

*Seagoing dry cargo ships [1] of 1,000 gross tons and over constructed in foreign shipyards for the period Jan. 1, 1947, to Apr. 30, 1953, for the account of United States companies and their affiliates and registered under foreign flags*

| Parent company, affiliate, and name of ship | Country in which built | Year built | Dead-weight tons | Gross tons | Speed (knots) | Flag |
|---|---|---|---|---|---|---|
| Grand total, 3 ships | | | 15,047 | 14,266 | | |
| United Fruit Co., 80 Federal St., Boston 10, Mass.: | | | | | | |
| Empresa Hondurena de Vapores, Puerto Cortex, Honduras, 2 ships. | | | 7,760 | 5,530 | | |
| *Leon* | Germany | 1952 | 3,880 | 2,765 | 14½ | Honduras. |
| *Lempa* | do | 1952 | 3,880 | 2,765 | 14½ | Do. |
| Elders & Fyffes, Ltd., 15 Stratton St., Piccadilly, London, W. 1: | | | | | | |
| *Golfito* | United Kingdom | 1949 | 7,287 | 8,736 | 17½ | United Kingdom. |

[1] Excludes ore carriers.

Mr. CLARK. This tempts me, Senator, to make an observation.

Senator POTTER. We are always delighted to have your observations.

Mr. CLARK. When we came into being in 1950—that is, under the Hoover reorganization plan—we had a little unit over there—I do not know how many people it had in it; it seems to me, if my recollection serves me right, 7 or 8 people—and I think that our statistical ability to serve you, to serve this Congress and to serve the other branches of government, to serve private industry that is interested at all times in this kind of data, and, if you will, sir, to serve the whole American people, was most inadequate.

I have built that unit up, not beyond where it should be to render adequate service, but we are able to do what we are doing here today only because we developed a Ships Statistics Division which is able to produce. Whether I shall long be able to do it under existing appropriations is a matter of conjecture. I am happy that we are able to do it now, at least.

I am delighted that the industry, because I think it is a role that we should play, has, in practically every publication that they have put out—I went over that one this week, and I have gone over numerous ones in the last 2 weeks—on every chart and graph in here it says:

The source is the United States Maritime Administration, Division of Ships Statistics.

All of these people find this material almost something with which they cannot live without. We cannot put our hands upon the pulse of our problems in the American merchant marine without this kind of material. I am delighted that the industry itself has found it necessary to use it. I am sure they are delighted that we have gotten it. All you have to do is look through the publications to find out where this material comes from. I am happy that the Government can serve and happy that we can serve you.

If we do violence to this particular division of work, we shall not be able to do it in the future. I have given vent to my temptation, and I thank you for letting me do it.

Senator POTTER. I am happy that you yielded to temptation. It would seem to me, with the Government vitally interested in the merchant marine for its operation and construction of subsidy programs, the national-defense aspect of the merchant marine, that it would be essential that the necessary statistics be kept up. I think, as a result of the hearings we have had, we can say you have done a good job in presenting your charts. I know you could not have done that unless you had available the data from which to build those charts.

Along with it we have asked for additional information for which you would have to have a statistical source from which to gather that information. I sincerely hope that unit will be kept alive and healthy.

Mr. CLARK. Thank you, sir. I have other units for which I would like to plead, but I will not take the Senator's time.

Senator POTTER. About one pleading a day is all I could do.

Mr. CLARK. The period immediately following World War II shows the effect of completing war contracts. 1947 and 1948 show a reduction in construction. 1949 and 1950 construction increases reflect the worldwide tanker storage. 1952 and 1953 show the effect of the

Mariner ship program contracted for shortly after the outbreak of the Korean war, as well as a heavy demand for additional tankers by both American and foreign interests. No new contracts for any ocean-going ships have been awarded during the past several months; in fact, two yards have had tanker cancellations. 1954 shows that the tankers and Mariners currently under construction will be completed.

Since 1947, 67 percent of the total United States ship construction has been for foreign-flag interests. I think that is very important.

Senator POTTER. Has that been done in the last couple of years?

Mr. STAKEM. If you refer to chart 24, I think you can see the fluctuation in that. The shaded area between the two lines represents the construction for foreign accounts. This is the construction for American, the lower line. The upper line is your total construction. You difference between the two is the shaded area and represents the foreign construction.

Senator POTTER. What does that represent?

Mr. STAKEM. This is 1949, falling to a low in 1951, and building up again in 1953.

Then, this next chart, Senator, will show the breakdown in the type of ship for those postwar years, 1946 to 1955. Your tankers are your check marks. The grey area is your cargo ships, and the black area is your combination ships. These combination ships are shown in dead-weight tons, and you get a little distortion there. It is a pretty representative picture.

This shows, in the years 1949 and 1950, you have all tanker construction, nothing but tankers. Then, in 1951, you see the beginning of the Mariner ship program stretching out into the last delivery in 1955, with the tanker construction as the heaviest part.

Senator POTTER. That includes practically all of the Mariner construction?

Mr. STAKEM. Yes, starting in 1951, the grey area here is your cargo ships, is your Mariner, going through 1955.

Senator POTTER. It seems to me that is one of the biggest problems we have, the replacement problem. The answer is not easy to find. You have so many of your ships coming of age at the same time. If you have a gradual shipbuilding program, you may be constructing more ships than the commerce is ready to absorb. If you do not do that, then you will have the boom-and-bust type of program, with a huge construction in the period of 3 or 4 years, and then drop off to nothing again. It is a problem that certainly needs a great deal of thought and planning and selling.

Mr. CLARK. It certainly is, Senator. We wanted to get, in connection with your remarks of this moment, back on the easel here the chart that has to do with the age of these ships. This chart reads from right to left. You start here. This is 1942. It runs through 1946, which is your big block obsolescence period, if you project it 20 years.

Senator POTTER. From 1962 to 1966 we will have that huge block obsolescence, with the ships becoming overage?

Mr. CLARK. That is correct. It is interesting to note that it is only the contract lines, so-called subsidized lines, that have, by contractual obligation, the problem of positively meeting this thing, because they cannot have a ship on the essential trade routes under subsidy beyond 20 years, except by special action of the Federal

Maritime Board, and only then if that action is hinged to a plan to replace.

We have a few ships, now, that are in this exemption period, the Moore-McCormack ships, the good-neighbor fleet under charter to South America, the *Santa Paula* and *Santa Rosa*, which go down the coast of South America. They are under obligation to do this in 20 years, whereas the so-called nonsubsidized operators do not have that obligation, although they have, let us say, it seems to me, an obligation to the American merchant marine, if not under contract, to keep ships going as efficiently as they can and replacing their fleet.

Senator POTTER. That poses another question, as to whether it might be desirable to open up the construction-subsidy program a little wider, make it more attractive to allow these operators, particularly on nonliner service, and other services, to encourage them to replace their vessels.

Mr. CLARK. Yes. As the Senator well knows, the long-range bill did provide construction subsidies for these other types of operators. The Commerce Department is studying the program as to next year, how far the Government, at this particular stage, should proceed in the encouragement, not only the planning encouragement, but also the financial encouragement, to meet the construction needs.

As Mr. Murray testified, for 1954 that study is now going forward.

Mr. DREWRY. Have you had applications for construction subsidy under the broadened provisions of the 1952 act?

Mr. CLARK. We had the application of American-Hawaiian for the conversion of C–4's by the provisions of the long-range bill. Those ships were to be used, in the main, I think, for carrying ore from Labrador down to our Atlantic coast.

Mr. DREWRY. What happened to that application, Mr. Clark?

Mr. CLARK. The Federal Maritime Board approved the application in principle, which indicated that the applicant met the provisions of the bill; therefore, so far as this substantive requirement was concerned, they met the requirements of the act.

Senator POTTER. It would seem to me, however, and it is a point I am not clear on, as to why an applicant who has been approved by the Board as being eligible for the program, the Maritime Board is not then obligated to request funds for that construction.

Mr. CLARK. Mr, Chairman, the request for funds channels through the administration channel. The substantive decisions, on contractual rights, upon applications for entering into contractual right, is with the Board, but the actual implementation of the funds in order to carry out those is channeled through the administration side of the picture.

As Mr. Murray has indicated on prior occasions, that whole problem is now under review, to determine, budgetwise and fundwise, whether we, at this moment, support financially this program or that one.

Senator POTTER. In other words, what you are saying is that while it meets the qualifications, as far as being eligible for construction subsidy with the Maritime Board, the overall budgetary directive on new construction was a controlling factor in the case of the American-Hawaiian application; is that essentially correct?

Mr. CLARK. Senator, you have stated it better than I could.

Senator POTTER. I do think it is a matter of good faith. I assume that many applicants, or prospective applicants, are desirous of

knowing just what the administration's program will be in the future. Until that has been settled, I know if I were thinking about constructing new ships, I would be very hesitant about putting in an application, because if the application were approved, it still does not mean anything at this particular time.

I think that is one of the problems that this administration will have to wrestle with. The sooner they can come up and say, "The law says this. If these people qualify, we are obligated to ask for the funds," the better off we will be, and then it is up to the Congress to either give you the funds or deny them. It fixes the responsibility with the Congress.

I sincerely hope, and I am sure that I am expressing your views as well, that the Maritime Board, itself, will assume that if a person is eligible, they have an obligation to request those funds. I think it is folly of the first order to allow the American-Hawaiian Line—I do not blame them in this case—I think it is folly for our own shipyards to lose the business of converting those three vessels to the Japanese.

Mr. CLARK. Yes. Senator, I am certainly happy to hear the Senator's position on this. This problem is really a policy matter, and is a little bit higher than my level to respond completely. I am certainly happy to hear the Senator speak that way.

Mr. DREWRY. On the question of eligibility for construction subsidy, the standards to be met by that eligibility requirement are the policy provisions of the 1936 act, itself, are they not?

Mr. CLARK. Yes.

Mr. DREWRY. Which means that the Board has to find that the vessels are necessary in the national interest before they will proceed to grant construction subsidy?

Mr. CLARK. That is correct.

This was prompted by the foreign shortage of steel and machinery components, whereupon foreign interests placed orders in this country to insure early deliveries, even though the United States construction costs were obviously higher. Two charts have been prepared to show these shipbuilding trends.

We have here two charts to show that. Have we covered these?

Mr. STAKEM. Yes, we have covered them.

Mr. CLARK. I will proceed on from there.

Since large quantities of materials and components required for 1954 ship deliveries are already completed, employment in the shipyards and allied industries will start to decrease rapidly this summer. The effect of ship contracts on shipyard labor is not great until about 6 months after the contract is let. That is, contracts must be awarded this fall to affect labor next spring.

So these tabulations, which give the history of shipbuilding, figurewise and shipwise, from 1946, projected through 1955, seem to me to leave us with the rather unhappy picture of not having our yards in a very healthy condition as projected at this moment.

Senator POTTER. There is one question that I think it would be well for you to elaborate on, and which has been a source of controversy, particularly with a Comptroller General, as to how you determine foreign construction costs as a basis for our construction subsidy.

I would be interested in knowing about that. If you want to, you can make it a specific case with the Export Line, for example. The

Maritime Administration first came up with one figure as to foreign constuction costs. Then they went back and reviewed it and increased it by about $3 million, I believe, or more.

I am just wondering if you could explain quite fully how you determine the constructiou costs. For my interest, anyway, I would like to know how the construction costs were originally determined on these ships for the Export Line, and then the revised figures.

Mr. CLARK. Yes, sir. Mr. Chairman, I would like to request your indulgence to modify slightly the format in which you have cast your question, if I may.

Point No. 1, the determination of subsidies, is a matter for the Federal Maritime Board rather than the Maritime Administration, in which I find myself cast. However, I touch shoulders with it very, very closely inasmuch as I direct the staff that has to do the computations.

The development of a construction subsidy is a very highly intricate, delicate, and extremely carefully planned proposition. If we go along into the history of the experience which we have had with the construction subsidy under the 1936 act, and particularly as it relates to the postwar period, you will find it fraught with many and varied and conflicting opinions in the entire field.

In 1950, we found both in the operating subsidy side and on the construction subsidy side a considerable dearth of information and data, both with respect to the foreign cost and the domestic cost.

Over these past 2 or 3 years we have been devoting our efforts in one particular division almost constantly to placing under the Maritime Administration and the Board a good basic groundwork of figures and statistics. Again, we are back to this statistical, factual, and economic determination problem.

Administratively, we have gone a long way. We can now tap pretty well both the sources, and have them now recorded, of domestic costs and foreign costs by the various foreign-flag yards where we would compare our shipbuilding with the foreign yard.

Having done that, we proceeded, that is, the Federal Maritime Board, to act upon the American Export, with particular reference to the Amercan Export case.

The old Commission came up with one set of figures which the General Accounting Office found in their analysis not satisfactory. That was, in the main, I think, for the reason that they thought the construction subsidy that was permitted on those two ships, the *Constitution* and *Independence*, were in excess of what in their opinion they should have been as determined by the old Commission.

I am speaking now again from the Administration's side and from keeping myself cast in any responsibility that the Federal Maritime Board may have in this matter. We have a dual organization there. The American Export Line came in and agreed with the Federal Maritime Board as to a recomputation of that subsidy. I believe that agreement indicated that if the final net cost to them of the subsidy as finally determined was not adequate, or at least did not meet the acceptability on the part of their board of directors, they could return the ship.

That conditional clause was entered into the American Export case, and the Administration attempted immediately to gather all the facts, in this case from Holland, because it was determined that if

these two ships had been built foreign, they would have been built in a Holland yard, that yard being comparable to the yard we would have used, capitalwise, financialwise, and operationalwise in building these ships.

The rest of the story I am sure the Senator is familiar with. They went to Holland and the Federal Maritime Board studied the actual operation of that shipyard and tried to recast this ship sitting in that yard and all its implications, as to labor, labor escalation, materials, material escalation, arriving at a final price. The law says that you must build this in accordance with American specifications. We do not build it in accordance with the foreign specifications.

The Board labored, in my view, very diligently on this matter. They went into it very carefully.

Senator POTTER. This is at the time of the review?

Mr. CLARK. Yes, and subsequent to the return from Holland. They came up with a firm conviction that the price would be adjusted to a different figure, not only to that of the old Commission but to that which they themselves had earlier concluded after a review prior to their going to Holland to see this thing at first instance and get, perhaps, more of the basic facts upon which to make an adequate adjusted price.

They came back and took that action, and set a final price which we can here enter into the record, because I am careful not to make observations for the Board but to tell you what the chronology of this thing was and how it related to the work we did in the Administration. That price has now been determined. There at the moment it rests.

Getting back for a moment, and more specifically to your question, we must build the ship to American plans and specifications. That is what the act requires. In order to do that we must select a comparable yard. That yard must be selected very carefully because we must build it as near as we can to yards that are capable and comparable to the yards we would built it in here. They must be financially able to complete the contract. It must be a country in which there is no social unrest, because however efficient they may be otherwise, if there was a social upheaval you could not build the ship, and on that basis the Holland yard was determined.

We tabulated a great many statistics, labor, materials, escalations, and compared that with the American cost. The Board made certain adjustments also in the dollar convertibility, which is, I think, one of the moot questions, and I prefer that the Board themselves would testify in this regard and that you would excuse me from this one because this is a matter they particularly handle themselves. But I hope I have given you, even though not specifically, some general idea of the work that was involved, how we attacked the thing and the fact that as of this moment, Senator, we do not know where, at least, I, speaking administratively, do not know where we stand or when a contract is a contract and when it is not a contract, and what it takes to make it a contract.

Senator POTTER. It seems to me there were some pretty loose administrative practices performed. I believe about 2 years went by with the written agreements, but actually a formal contract was not entered into with the Export Line. I think the same thing was true with the United States.

Mr. CLARK. You referred to the years 1948–49, approximately in there?

Senator POTTER. Yes. I think about 2 years went by before an actual formal contract had been entered into; is that not correct?

Mr. CLARK. I believe that is correct, Senator. I think a great deal of the time in that period was taken up with the development of what we felt had to be an adequate base of economics and statistics and foreign information in the whole cost picture in order to be able to proceed. I am speaking now of after we came in in 1950. There is a little delay there, but it was in the process, collecting this data. What happened before my time I would be not competent to observe.

Senator POTTER. Take, for example, the American-Hawaiian Line, which applied for the reconstruction of these three vessels. You approved that construction.

Mr. CLARK. The Federal Maritime Board approved in principle, I believe it was.

Senator POTTER. Assuming, for example, that it went through and you entered into a contract, and you were going to get the funds for this construction, the construction of these three ships, would you go to the Japanese shipyard to determine the cost?

Mr. CLARK. I think the determination would have been required by the Federal Maritime Board as to which foreign-flag country and which particular shipyard would be most appropriate in terms of the act. What the Board would have decided is a matter on which I could not speak. But it might lend itself to some observation to the fact that they did go to Japan and might lend weight to the fact that the Japanese for this particular kind of ship might have accomplished the work.

Senator POTTER. If you did go to Japan or Holland, wherever it might be, would you send members of your staff over there to observe, or do you get it through representatives in the Department of State, or how do you physically get that information?

Mr. CLARK. Senator, we have done it all three ways. We have an agreement with the Department of State. I believe it is based on law. I believe it is a part of the Foreign Service Reporting Act whereby the Department of State supplies us with the service for the collection overseas of data both on the construction side and the operating side.

We would then help to select the kind of individuals that we think are competent to do this work, and we participate in the training of these people, but they are on State's payroll and are stationed at the points where we need the information.

We had a foreign representative with State over in Europe who did a great deal of the collecting of this data.

We went beyond that where necessary in order to nail down a given set of facts, where either someone from the Maritime Administration or higher level went over there if necessary and, as you know, finally the Board did go itself. First of all, it is a Foreign Service reporting activity. Secondly, we go and watch it on the spot if the occasion requires.

Senator POTTER. It would seem to me there would be a certain amount of reluctance on the part of foreign shipbuilding officials, and also foreign operators, to give you the data you require because we are actually in competition with them.

If they can sabotage our ship construction program, that means there will be more ships for them to construct. If they can sabotage our operating subsidy program, that means their ships will have more cargo to carry and have less competition. I am just wondering if that factor has entered into your collecting of data?

Mr. CLARK. On the operating subsidy side, Senator, we had considerable difficulty when we first started this method in 1950 and 1951. But that has been not entirely but, I would say, greatly overcome. We have a certain quid pro quo of service here that helps us a bit in getting information. We have changed our procedures a couple of times so as to not, in any way, offend foreign competitors in the way of divulging confidential information that they give to us. So that over the past 3 years there has been a more favorable development, I think, toward the foreign operators to assist us as long as we treat it on a confidential basis.

On the construction side there has been an improvement. I think it must be said that the Holland Shipbuilding Co. that dealt with the Board on this thing, I felt gave very good cooperation to them. I think it must be said to the credit of the Federal Maritime Board that that matter was handled by and large very well. We are getting for the most part the data we want in the operating field.

That is attested to by the fact that our rates are coming nearer to a conclusion—all the back years—in permanent rates. If you were to ask me, however, the next question, which is, "Which is the more difficult?" I think I would have to tell you that the construction subsidy is more difficult.

If you were to ask whether or not I felt any remedial legislation needs to be entered into in order to better facilitate this very difficult job of determining construction costs, I would have to state I believe that the Federal Maritime Board should answer that question.

My own conclusion is that perhaps they do have a feeling of that nature, but they are to express it themselves. A construction subsidy is a very difficult thing to solve, and the more ease with which we can administratively handle that, and the more firmness with which we can come up with a contract that lasts, the better off we are going to be. I am sure that recommendations will be made in due course on that subject to you.

I am a strong believer that when a government makes a contract it is under obligation to live up to that contract and that we ought to have our contracts firm and solid. If we are at fault, we ought to correct those faults. But all the governments should work together, that when we let a contract, the contract is good and should not be vitiated.

Senator POTTER. There has to be a certain amount of discretionary power left in the hands of the Maritime Board. You can challenge whether the Maritime Board acted in good judgment or not. But if the Maritime Board entered into a contract in the past with a private citizen or anyone, irrespective of whether their judgment was right or wrong, I think the Federal Government has a responsibility to validate that contract.

Mr. CLARK. Senator, unless we reach that happy end, we will not build ships.

Senator POTTER. If you enter into a contract now and then it is going to be constantly brought up for review by someone else, it is

going to be an intolerable situation where you will not have any interest in dealing with the Maritime Board or the Government, either the construction program or the operating program.

I hope they will bring some semblance of justice out of this controversy that has developed over the past year and will establish a policy so that a ship operator will know when he enters into a contract with the Government, he can plan on that contract remaining in effect without it being constantly brought into review. If the Maritime Board makes mistakes, there are means of handling that. That is the responsibility of the Board. As long as you give the Board the discretionary power, which they should have, you have to abide by their judgment.

Mr. CLARK. It is very well observed, sir. Senator, that brings me to the end of one complete section of my testimony. I am at your disposal for such other questions as you may desire to ask. This ends my formal presentation at this time.

Mr. DREWRY. Mr. Clark, we discussed the possibility of an error in one of your charts. For the record, would you refer to the particular ones?

Mr. CLARK. The error in the chart was in the title, I believe. Mr. Stakem, will you make that correction?

Mr. STAKEM. We are in the process of rerunning the chart. We found a second error in addition to the one that Mr. Drewry called attention to. His was on chart No. 19, where column (b) of that chart for each year was shown as "active" and column (c) as "inactive." That should be "foreign" and "domestic," column (b) being foreign and (c) domestic. A rerun is being made for that purpose.

On chart 14, in 1951 they had privately owned ships inactive in column (c) way out of line. That should be a shaded area instead of a dark area, and the chart will be rerun to show that correction.

Mr. CLARK. These charts will be fully corrected before they are given to the committee?

Mr. STAKEM. Yes.

Mr. DREWRY. I have a few more questions myself, and there were certain questions addressed to Admiral Wilson during his testimony which the admiral referred to Maritime as being the proper source for an answer.

In view of the ringing of the bells, I think we'd probably better adjourn now. Would you be able to come back on Wednesday?

Mr. CLARK. Yes, sir.

Mr. DREWRY. If we do not have a chance to get into these questions, maybe they could be submitted for the record. I think it is better if you are questioned on them because they may raise further questions. We will not meet tomorrow. We will meet Wednesday, and Mr. Frazier Bailey, of the Federation of American Shipping, is scheduled to appear. If there is time after you have come back on the stand, and Mr. Bailey's testimony, Senator Ball, I believe, representing the Association of American Shipowners, will testify.

On Thursday, we had originally expected to meet but will not be able to do so. We will take up again on Friday, if we have finished with the Federal Association of American Shipowners, the American Tramp Shipowners Association, with Mr. Riker Clark, to be followed by the CIO Maritime Union, with testimony from Mr. Hoyt Haddock, I believe.

Then the following week, while it has not been set firmly, we expect to hear from the shipbuilders and the shipbuilding unions. If you can make yourself available on Wednesday morning, we will see you then.

Senator POTTER. Mr. Clark, we regret we have taken so much of your time. I feel it quite essential that we make as complete a record as possible. I want to thank you for your patience with us and the work that you have put into your testimony.

Mr. CLARK. It is always a pleasure, Senator, to appear before you and your committee, and we do not mind at all. Call us back anytime.

Senator POTTER. We are adjourned until Wednesday at 10 o'clock.

(Whereupon, at 12:07 p. m., the committee recessed to reconvene at 10 a. m., Wednesday, July 8, 1953.)

# MERCHANT-MARINE STUDIES

**WEDNESDAY, JULY 8, 1953**

UNITED STATES SENATE,
SPECIAL SUBCOMMITTEE ON MARITIME,
SUBSIDIES OF THE COMMITTEE ON
INTERSTATE AND FOREIGN COMMERCE,
*Washington, D. C.*

The subcommittee met, pursuant to call, in room G–16, Capitol, at 10:10 a. m.

Present: Senator Potter.

Also present: Mr. John M. Drewry, special counsel to the subcommittee.

Mr. DREWRY. The meeting is in session.

Senator Potter is delayed, by virtue of having to go to the Rules Committee to seek additional funds to continue this investigation, so he asked that I continue with Mr. Clark until he returns.

## STATEMENT OF EARL W. CLARK, DEPUTY MARITIME ADMINISTRATOR—RESUMED

Mr. DREWRY. Mr. Clark, you had completed your prepared statement on Monday, at our last meeting, but at that time there were still a few questions which we wanted to cover.

At the close of your statement you mentioned that there had been certain instances in the past several months where tankers had been canceled. Could you tell us for the record what those vessels were and what the circumstances were, if you know?

Mr. CLARK. Yes; I would be happy to do that.

The Maritime Administration, as a result of investigation, transmitted to the Department of Justice for appropriate action reports concerning four companies. The first was the North American Shipping & Trading. Second, was United States Petroleum Carriers. Third, was American Overseas Tanker Corp. Fourth, the United Tanker Corp.

The reports transmitted presented certain facts which indicated that perhaps certain laws of the United States had been violated by the above corporations in connection with the acquisition of vessels from the former Maritime Commission.

The Department of Justice has filed libels for the forfeiture of some 19 tankers owned by the 4 mentioned companies or their affiliates. In addition, certain matters in connection with acquisition of these vessels had been presented to the Federal grand jury in the District of Columbia. Proceedings before the Federal grand jury resulted in the presenting of an indictment in one case.

Now, in connection with the granting of authority under section 37 of the Shipping Act to construct vessels in this country and to transfer them to foreign flags during periods of emergency, the Maritime Administration has imposed three conditions.

The first condition limits the right to transfer these vessels without the approval of the Maritime Administration. As the counsel well knows, section 37 of the Shipping Act comes into play during the period of national emergency, requiring that that restriction be effective.

Secondly, we provided that the vessels be made available to the United States Government in case of emergency; and that, Mr. Drewry, falls under section 902 of the Merchant Marine Act, applicable in case of periods of national emergency.

The third restriction that we imposed on these transfers was that the ships should not be used in trade in violation of the Department of Commerce transportation orders, T–1 and T–2. Those orders are now quite well known and are important ones among the shipping people and, of course, have to do with restricting trade which goes behind certain countries, behind the Iron Curtain. T–1 applies to certain countries generally, and T–2 applies to the China situation in general.

Now, in connection with the above conditions, a bond is required. These conditions are similar to those which are imposed with any transfer.

Mr. DREWRY. Excuse me, Mr. Clark. Is this leading up to the answer?

Mr. CLARK. I am leading up to the direct answer of your question, the cancellation.

These conditions are similar to those imposed with any transfer, to assure that the vessel will not get into unfriendly hands and will be available to the country in time of emergency.

Now, Mr. Drewry, those conditions fall clearly within what we feel—the Maritime Administration and also the Department of Commerce itself—are conditions that must be imposed during the present emergency.

I am going to add this a little bit gratuitously, if you will permit me: It has been indicated to us on some occasions that there is harassment. My answer to that question is that if in enforcing the provisions of the 1916 act and enforcing the provisions of T–1 and T–2, which restrict trade to certain areas of the world, where those restrictions serve as a protection to the United States Government and to its people, if applying those provisions is harassment, then I shall have to plead guilty to this committee. We do not hold that it is harassment, but it is a true, direct, and proper exercise of the regulations and functions which devolve upon us in Maritime.

As a result, however, of the application of these restrictions, we have had some cancellations on the part of companies who had formerly contracted to build some ships in this country, and I will now enter into the record those ships which have been canceled.

At Bethlehem Quincy, one ship for World Tankers Co. That was being built for foreign flag.

At Bethlehem Quincy, one ship for Orion Shipbuilding Co. That was for United States flag.

At Bethlehem Quincy, one ship for the Atlantic Oil Carriers. That was for foreign flag.

At Bethlehem Quincy, one ship for Transatlantica. That was for foreign flag.

At Bethlehem Quincy, one ship for Orion Shipping Co. That was for United States flag.

These are all tankers, Mr. Drewry.

Now, at Bethlehem Sparrows Point, two ships for San Clemente. Both of those are for foreign-flag operation. One ship for Star Joint Venture; that is for United States flag. One ship for Metro-Petroleum Shipping Co. for United States flag. Two ships for Transatlantica for foreign flag.

These ships, again, all are tankers.

Now, as to whether the cancellation on these ships emanated out of the restrictions which we felt of necessity should be placed on the transfer, I am at a loss to say. That gets into a subjective matter as to what the fundamental reasons for the cancellation of these ships are, not to say how much in a given case or a given ship or a given company these restrictions affected these cancellations.

Mr. DREWRY. Now, all of these ships that were canceled were in two yards?

Mr. CLARK. Yes; in Bethlehem Quincy and Bethlehem Sparrows Point.

Mr. DREWRY. Now you speak of harassment. Did that grow out of a story in one of the Massachusetts papers during the spring that the reason there was no further shipbuilding by certain tanker interests in the Quincy yard was because of harassment by the Administration at that time?

Mr. CLARK. I think, Mr. Drewry, the word "harassment" is a colloquialism that has grown up in some of these situations. Whether or not it grew from that particular story, I do not know, but I believe it as used in the story to which you refer.

Mr. DREWRY. Well, Mr. Clark, is it not an unusual situation for foreign-flag vessels to be built in American yards anyway, in view of the lower foreign costs? Can you tell me whether the matter of deliveries has improved in the foreign ship centers at this time?

Mr. CLARK. Well, the latest report on the foreign shipyards shows that for the most part the ways are still pretty full, and I would suspect that some of the yards in which some of these ships might be built are not as available as our yards. We have in our yards also certain proficiencies that I think tend to cause some of the companies to want to build here—the quickness of delivery of materials, and the efficiency and capacity of these yards in which the ships are being built, also the desire of some of these companies, as indicated by this list here, to want to fly the American flag. While, of course, ships can be in certain circumstances built to fly the foreign flag, by and large most of our American-flag shipping is built in this country. What all the reasons are for them to desire to build here, I suppose are not fully recorded, but the ones I have offered are some of the main ones.

Mr. DREWRY. Thank you, sir.

Mr. Clark, Admiral Wilson, as well as Mr. Murray, spoke of the desirability of designing and building certain prototype vessels. It

is true, is it not, that the Maritime Commission has developed prototypes in the past? There was 1 at one time, as I recall, where there were to be 2 prototypes built, and finally they proceeded with 1, which ultimately became the *Schuyler Otis Bland*.

Mr. CLARK. That is correct.

Mr. DREWRY. Also, during the end of the war, or immediately after, there was some work done on the development of gas turbines for ship propulsion. Can you tell me where those vessels are at the present time, how they worked out, whether they could be considered to be successful, and if they were not, what steps have been taken to bring about modifications?

I bring that up partly because I noticed in the press recently that there had been considerable research on the part of some of the foreign nations on gas-turbine and even atomic-powered ships, whereas, as far as merchant ships are concerned, we have made no steps in that direction at all, other than what might have come out of the submarine program.

Mr. CLARK. Mr. Chairman, our technical staff has done some study of the gas-turbine situation, and is also presently engaged in a review of the possibilities of atomic propulsion.

We have had some meetings this week on the latter situation. We have not advanced in that particular area to the point where there is anything that I could give to the committee at this point, even where it is permitted through the classified information regulations.

If I may, I would just like to simply suggest that we are moving into the study of atomic propulsion.

Now with respect to the steamship *Schuyler Otis Bland*, this ship has been chartered to the American President Lines, and has made two round-the-world trips for that company. It is now being operated for the MSTS by the Waterman Steamship Co., and the performance reports have been generally satisfactory, with a few minor details requiring corrective action. The cargo gear has proved particularly successful.

At the present time the Maritime Administration has completed and checked plans, including working drawings as well as specifications, and a precise list of materials and equipment items needed to order material components on a per vessel type basis, if we move into any production of the *Bland* in the future. I am not in a position to speak as to the possibility of that. Their availability should greatly facilitate procurement for mass production programs in case of an emergency.

Now, notwithstanding the successful completion of the steamship *Schuyler Otis Bland* and its satisfactory operating record, it has recently been determined that certain materials and components entering into the main machinery which had previously been considered procurable during an emergency, would not be available. Therefore, in order to complete the goal for which this project was originally conceived, it was necessary to replace the material with materials drawn from the latest noncritical list, in case of mass production.

The second prototype is the Mariner, and I do not know whether you wish us to go into that particular one or not. I would like to say, Mr. Drewry, if I may yield again to a temptation here, that our *Cornhusker Mariner*, as you know, is in quite some trouble. She went aground yesterday on the lighthouse reef outside the harbor of Pusan.

We are dispatching technicians immediately to the scene. We have five Navy tugs about her. She is on the rocks, forward, and holds 1 through 5 are damaged with leakage of water. Holds 6 and 7 are completely intact, and from there back. The rear of the vessel is in about a 60-foot sounding, whereas the front of the vessel is on the rock.

We are hoping that we can save that very fine ship. She went aground in monsoon winds out there, in very inclement weather, I understand, and the harbor at Pusan is a very treacherous one, as you know. Beyond that, we have no further information, but it is the first one of our Mariners to get into trouble.

Mr. DREWRY. The committee has been interested in hearing about that.

Mr. CLARK. If your interest is not in proceeding with the Mariner, the only other prototype is the tanker prototype, which we recommended for construction in fiscal 1954, but which was not approved or recommended, I believe, to the Congress.

Mr. DREWRY. I believe the question was asked of Admiral Wilson whether or not the industry has been consulted on the T–5 prototype. Can you answer that question?

Mr. CLARK. It is my understanding, sir—I would say that I was not at any meetings of that nature with the industry, because as Deputy it did not fall into my responsibility to do so, but it is my understanding that there were consultations with the industry earlier by Admiral Cochrane, and by his successor. I am not presently advised as to the success of those consultations.

Let me see if this will give anything on the subject. I think I should read this statement into the record, as it does relate directly to your question.

Mr. DREWRY. All right.

Mr. CLARK (reading):

While the original idea for a defensive-type tanker identified as a T–5 design, originated with the Maritime Administration, the finally evolved design and specifications came about through consultation with industry architects and represents basically a commercial-type vessel, with defensive features, with primarily a speed of 20 knots.

The Tanker Committee of the AMMI, upon invitation of the Maritime Administrator, appointed a subcommittee on national defense tanker design, comprising Messrs. E. L. Stewart, of Esso; W. B. Jupp, of Socony; and J. V. C. Malcolmson, of Texaco, as a working group, together with Mr. V. L. Russo of the Maritime Administration, serving in an advisory and consultatory capacity, to design such a vessel, inasmuch as the only specifications on the part of the Administration with respect to the T–5 tankers were that they should be capable of a sustained speed of 20 knots. All other design characteristics are in conformance with commercial requirements.

Therefore, the answer to the question is that the industry has, through its representative committee, indicated the acceptance of the T–5 design as a commercially adaptable tanker.

Mr. DREWRY. Thank you.

Back to the *Bland* again, can you tell me what service she is in?

Mr. CLARK. She is chartered with MSTS in the Korean service at the present time, and she is under general agency by Waterman Steamship Co. of Mobile.

Mr. DREWRY. Have you ever heard, or do you know anything of the fact that the *Bland* was topheavy for the carriage of general cargo?

Mr. CLARK. No, sir, I have not heard that.

If you wish, I would like to have Mr. Hicks, the Chief of our Ship Construction Division, reply to that.

Mr. DREWRY. Well, I heard somewhere that the *Bland* was topheavy and was now serving in the carriage of bulk cargo.

Mr. CLARK. May I call upon Mr. Hicks to respond to that?

Mr. DREWRY. Yes.

## STATEMENT OF CAPTAIN REX HICKS, CHIEF, OFFICE OF SHIP CONSTRUCTION, MARITIME ADMINISTRATION

Captain HICKS. No, the *Bland* is not topheavy. Its stability is greater than the C–2 (with the same cargo capacity), as a matter of fact. There has been some impression in some quarters that the *Bland* is topheavy, because when the *Bland* was put into service we imposed upon her the Coast Guard instructions that are now current for all new ships in regard to stability. They were issued to her a year ahead of time.

Mr. DREWRY. Thank you, Captain Hicks. I am glad to have that point answered.

Mr. CLARK. I would like to hear a little about the situation with regard to gas turbines, because it is my understanding that back as far as 1945 or 1946 there was a program underway and a contract entered into by the former Maritime Commission for construction of such a propelling unit, and a vessel was selected for its installation. Whether that ever took place or not, I do not know.

Mr. CLARK. I will ask Mr. Hicks to proceed, since we have him on the stand here at the moment. Rex, could you tell them about the gas propulsion studies we have made, and the conclusions that we may have arrived at?

Captain HICKS. In about 1945 or 1946 the Maritime Administration entered into a contract with the Elliot Co. to build a gas turbine propulsion system for a collier. Simultaneously they entered into a contract with the Federal Shipbuilding Co. for the conversion of the collier.

Now, in the development of this gas turbine, Elliot experienced a great deal of difficulty. Progress was slow. It was so slow that finally the Maritime Administration sold the ship for which the turbine was intended, which was the last ship of the class owned by the Maritime Administration, the old Maritime Commission.

So, we ended up by having no ship in which to put the turbine.

Now, at the same time—I do not know why it happened, and I can only speak from the record—the Navy entered into a contract with the Elliot Co., to produce practically an identical gas turbine. So, when Elliot ran into its various difficulties in building this turbine, primarily welding difficulties, they went ahead on the Navy turbine on an experimental basis, and deferred work on the Maritime Administration turbine until they found out what they could do with the Navy turbine.

That all went on over a course of about 6 years. Finally, they finished the Navy gas turbine installation, tested it, and found out everything they could find out about it. I am not certain where that installation is now. I have heard that the Navy has it in storage.

In the meantime, we, having no ship, having found out everything from the Navy's tests, wound up our contract with Elliot on the basis

of the work actually performed, and settlement has been made. The reversible-pitch propeller and various other things that were bought for the installation on the ship were shipped down to the Baltimore warehouse of the Maritime Administration, and the contract with Federal has been closed out.

Mr. DREWRY. And Federal has been closed out, too?

Captain HICKS. Federal Shipyard has been closed out, yes.

Mr. DREWRY. Are you still giving further consideration to that design?

Captain HICKS. Not that design. We are considering gas turbines, but, of course, we have nothing on which to proceed, and we have no development money.

Mr. DREWRY. Thank you.

Mr. Clark, we have proceeded to open these hearings with a request from the Defense Department to give its views as to a nucleus defense fleet, that is, an overall nucleus merchant marine, for initial mobilization requirements.

We also asked whether or not the Defense Department had developed machinery which would allow this report which they gave to us to be a continuing study, so that at all times the Congress can know just exactly what the basic merchant marine should be, insofar as it it possible to determine.

Can you elaborate a little on what steps the Maritime Administration and the Department of Commerce have taken to set up machinery which will be a continuing joint group, to keep this study up to date?

Mr. CLARK. Yes; I would be glad to.

There has been established a Joint Maritime Administration-Navy Planning Group, which is advisory in character to the Secretary of the Navy and to the Maritime Administrator, in matters of common concern relating to the national defense.

This group held its first meeting, I believe, on May 8, 1953, and it is composed of representatives of the National Shipping Authority, the Program Planning Office, Office of Ship Construction of Maritime, and then officers of MSTS and the Bureau of Ships in the Department of the Navy.

Initially, the group has directed its efforts to developing recommendations on the size of the minimum peacetime operating merchant fleet which would be adequate to meet initial wartime shipping requirements, and the size and composition and state of readiness of the national reserve fleet needed to augment the merchant fleet in the event of war.

In addition, the joint group has developed a comprehensive outline of matters which they will study on a continuing basis, to include the merchant ships construction programs needed to maintain the peacetime operating fleet, possessing adequate defense characteristics, and which will maintain a shipbuilding industry base capable of expansion to meet the needs of full mobilization.

The administration has recently done some preliminary studies, which will lead to projections of the full mobilization program, based upon the latest military guidance. We have had some informal transmissions already as a result of this effort. We propose to ask the joint group to pursue these studies fully over the coming months, in order to assure the completeness, feasibility, and coordination of related Navy mobilization building programs.

I believe the group is in a position to furnish the administration and the Secretary of the Navy, on a current basis, any changes in requirements and prompt advice as to the implications of the requirements.

It is my candid view that that study, in order to come to some complete fruition, probably will take some few months yet to complete before it is final. We have some tentative reports which we have now reviewed, and I believe that, within the gamuts permitted in the classified areas with regard to this matter, Admiral Wilson, on a national-ship basis, gave some projections here of recent date. The Maritime Administration is not prepared at this time to make projections, as was indicated by Mr. Murray. I believe he touched on that briefly in his opening remarks.

This group, Mr. Drewry, in my view, and that of the Administrator, is working very well. We have had comments from both agencies that it is progressing very well, and perhaps is one of the best enterprises that we have joined together. I think this perhaps should have been done sooner. We are in very close touch with the Navy, and there is excellent cooperation between the two agencies in this matter.

Mr. DREWRY. That is up to the Commerce Department to translate the Defense Department estimates into commercial requirements; is it not?

Mr. CLARK. That is true, sir, and we are prepared to do that as soon as the study is complete.

Mr. DREWRY. And, it will be a matter of several months yet?

Mr. CLARK. I think it will, sir. This is a very delicate question, and a very important question. We must be right on this one, because the extent to which we vary from that which is anything less than complete means expenditures of dollars, and it means we must be headed in the right direction before we make the complete composite projection in this matter.

I believe the great future of the American merchant marine will be in no small way affected by the final conclusion in this study. It is not a thing we can move very rapidly into, and make sharp conclusions, unless we are just in a position where we have to do it because of the imminency of international conflict.

Mr. DREWRY. And it is contemplated that this will be a permanent procedure?

Mr. CLARK. As far as the Maritime Administration is concerned, we hope to make it so; yes.

Mr. DREWRY. Mr. Clark, earlier we spoke of a question of the revolving fund, which is authorized by the 1936 act. Would you mind supplying for the record, for our use, a memorandum which would give the history of that provision of the 1936 act, its background, and previous acts, if there are any, and outline its use, in and out, and the flow of funds through it, and leading up to an explanation of how it happened that the revolving fund no longer operates for the purpose for which it was originally intended?

I do not expect you to answer that right now, but I would like to have that information.

Mr. CLARK. That information, Mr. Drewry, is available and we will be very happy to file in the record a complete statement along the lines you suggest.

(The information requested was not received at the time the hearings were printed.)

Mr. DREWRY. At this point, since I do not believe you will be back with us within the next few months, I would like to state that it is our intention, when we proceed into the next phase of these hearings, to develop similar information on other major portions of the 1936 act and other acts, so that we can determine whether the original purpose is still being served, or whether the problem that was originally intended to be met still exists, and to determine from that what, if any, modifications in the various provisions should be made.

I think that undoubtedly there are certain sections of the act which originally were intended for a particular purpose, and they either never served that purpose or else the purpose itself has disappeared.

So, I would appreciate it if you would give consideration to the various portions of the acts where those questions will arise.

I think, too, I would like to ask you right now what steps have been taken with regard to the recommendation which has been made from time to time—in fact, I believe going back as far as 1920—as to the codification of the Merchant Marine and Shipping Acts.

Mr. CLARK. Mr. Drewry, I believe the Judiciary Committee has done considerable work on that matter of codification of law, and the legislative branch of the legal staff in the Maritime Administration has devoted some attention to it, and has kept quite abreast of what has been done here on the Senate side.

My own personal view is that that has not moved as well as it should, and I think that increased effort ought to be made on it.

I also wish to say that we are now presently reviewing the first part of your problem; that is, the Merchant Marine Act, and what now perhaps should be changed. The legal office of the overall Department of Commerce is working with our legal staff on a review of that, and I assume that that will be part of the Under Secretary of Commerce's overall study, which he is now working on. As a matter of fact, I am sure it is being done.

Mr. Greene, would you like to speak specifically to the question of codification?

## STATEMENT OF FRANCIS T. GREENE, GENERAL COUNSEL, FEDERAL MARITIME BOARD AND MARITIME ADMINISTRATION

Mr. GREENE. The necessity as to the codification of our statutes has been realized since the new Maritime Administration took over in 1950, following Reorganization Plan No. 21.

During the first 2 years we were largely involved in clearing up some of the matters which we inherited from the former Commission. Provision was included in our original budget request for fiscal year 1954 for personnel with which to carry out such a recodification. That provision was deleted.

At the present time, the Legislative Division of the General Counsel's Office, due to resignations and attrition, now consists of two attorneys, Mr. Ackerson and Mr. Burchill. At the present time, due to delays in the necessary manpower for what is a major job, we haven't the facilities to carry forward the codification.

Mr. DREWRY. I think that answers the question.

Mr. CLARK. Thank you, Mr. Greene.

Mr. DREWRY. I think the committee is glad to know these underlying difficulties.

Mr. Clark, I hope Senator Potter will be able to be with us before long, and I would like to ask you certain questions which were asked of Admiral Wilson, and which Admiral Wilson either felt he could not completely answer or had to refer to the Commerce Department for reply.

The first question is: Has the shipping industry indicated any interest in acquiring the new Mariner vessels, and who are they, how many ships, and what services would they be placed in?

Mr. CLARK. First of all, I must say that I am not listed as one of those who believes that the Mariner may not prove yet to be a very good commercial ship. She was built in considerable measure to meet the demands of all-out war and mobilization, if it came; but I believe the Mariners will prove necessary in the operation in which they are now engaged.

I might say that we have presently considerable interest expressed in the Mariner. The Pacific Far East Lines, Inc., on its own initiative, has entered into a contractual obligation to purchase 3 Mariner ships, as replacements for 3 VC–2–SAP3's. These vessels are now operated in that subsidized service.

We are attempting to bring these arrangements to completion as rapidly as possible; in fact, we have worked during the past week quite considerably on an attempt to meet in a complete understanding with the company, as to the implementation of the contract, and certain modifications of the ships for the Far East trade. It is my view this morning that we will reach a meeting of minds with the company, which will complete certain of the contractural arrangements yet to be completed in connection with these ships.

Some of the companies have also indicated a desire for temporary charter of these ships for commercial purposes, and the Pacific Far East Line is one of those interested in a charter arrangement, pending the delivery of the final three ships, which will be purchased from the Maritime Administration, of which we are now working out the contractural details under the overall contract.

Mr. DREWRY. Are they extensive modifications?

Mr. CLARK. They are modifications which fall into two categories—those which the company feels they desire on these ships for the Far East trade, which the Maritime Administration feels should not be at Government expense. In other words, if those modifications are placed on the Mariner, they would be at the company's expense.

There are other modifications, which we feel prepared to make to the ships if they are to be sold for use in the Far East trade. These modifications fit into the requirements of the trade route, and some of those changes are those which the Government should share the expense. We are now in a study to determine which of those modifications should be at the expense of the company, and which are logically those which the Government should modify while the ship is now in construction, to be used on a specific route in that particular area.

Now, how extensive the final conclusions will be in this regard is at the moment undetermined.

Mr. DREWRY. The modifications will be made on vessels which have not advanced——

Mr. CLARK. Which have not advanced, yes. I think for this purpose we will use the vessels perhaps on the Pacific, at San Francisco, and so forth, because they are now getting underway. So, there is a

firm proposal and a firm contractual obligation, which has been assumed by one of the subsidized lines.

In December 1950, the American President Lines indicated an interest in purchasing up to seven Mariner-type ships, modified to meets its round-the-world service requirements. That was tentative only, and no recent correspondence concerning this round-the-world accommodation of vessels had been received, indicating what the interest of this company is at the moment.

I related to this here merely to cover the question which you asked me, in its entirety, as to what interest has been expressed.

Now, by letter dated February 1, 1951, to the Administrator, States Marine Corp. indicated an interest in the possible purchase of a 20-knot defense cargo ship. This letter was acknowledged by the Administrator under date of April 23, 1951, suggesting that the States Marine Corp. consult with the Chief of the Office of Subsidy and Government Aid, to express the above interests. To date States Marine has not followed up its inquiry of February 1, 1951. We assume they are still working under this proposition and hope we will hear from them again before too long.

A fourth interest has been that of Moore-McCormack Lines, who are now studying the possibilities of converting several of the Mariners to ships carrying approximately 300 passengers, to be used in the South American trade. There will be some desirable conversion which may or may not be feasible, and we are now studying it with the company as to the possibilities of such a proposal.

Mr. Drewry, there have been many questions as to whether a ship that was built to meet extreme emergency conditions was also built having in mind its commercial use. While there have been questions pro and con, by operators, by independent parties, and by newspapers and so forth, so far as I am concerned I am not at all yet ready to lose my confidence in this great ship. The future of competition on the high seas is not a thing to be played with lightly. We are studying that competition, its development, the extent to which it develops, and the point to which we may have to face it. I say that until these ships have had a good commercial test, perhaps separate from that which they are now engaged in, in transporting goods to Korea, I am hoping the American people will keep an open mind.

It is, in my view, a great ship.

Mr. DREWRY. Mr. Clark, the companies which have shown an interest have apparently been those which have the longest routes to cover, is that right?

Mr. CLARK. That is only natural, Mr. Drewry.

I would certainly agree readily that this is not a ship that can be used in all trade areas. The same thing is true, however, of some of the other larger type ships. Many trade routes are short in length. Their imports, the degree with which they have to meet schedules, the relative economics of the operation of a large ship as against a small one, the degree to which small, low-draft ships are needed as against deeper draft ships, are all in this problem.

I would say there are trade routes where they would not be used, and your observation is a correct one. Its use probably would be facilitated use on the longer trade routes, where you make up time by steady movement at sea, not in port and out of port so much.

Mr. DREWRY. Thank you, sir.

Now, another question which was asked was: How much commercial maintenance and repair work is performed on American-flag ships in foreign yards? I would think that postwar years would be sufficient on that. Do you have any information on that?

Mr. CLARK. Yes; I do have.

The value of equipment and/or repair parts and repairs made in foreign countries on American ships, in postwar years—let me check this a minute.

Let's take the year 1946. I would like to enter first into the record the total cost, and the duty paid, and then enter some other figures here.

In 1946, the cost was $1,223,000. The duty was paid $207,000.

In 1947, $3,357,000, was the total cost. The duty paid was $666,000.

In 1948, the total cost was $3,143,000. The duty paid was $695,000.

In 1949 the total cost was $3,837,000. The duty paid was $800,000.

In 1950 the total cost was $1,578,000. The duty paid was $570,000.

In 1951 the total cost was $2,789,000. The duty paid was $718,000.

In 1952, from January through August, which is where the figures are tabulated at the moment, up to that point the total cost was $2,095,000, and the figure on the duty paid is not yet available.

Now, as to the value of equipment and/or repair parts and repairs made to vessels operating in subsidized services under operating-differential subsidy agreements, I will list the 13 operators involved, the subsidized lines, covering the years 1947 through 1952.

The American Export Lines, Inc.: The subsidy period was 1948 through 1952. The total repairs made by American Export was $4,412,183. The cost of foreign repairs for this company was $184,320, or 4.18 percent of the total repairs were in foreign yards.

Mr. DREWRY. Do they have to get permission in order to make those?

Mr. CLARK. The contract provides that certain repairs may be made on an emergency basis, but those are reviewed by our repair units, and we determine whether those are in accordance with the contract.

Mr. DREWRY. Are they subject to duty, the emergency repairs?

Mr. CLARK. I am not sure that I can respond to that question.

Are these emergency repairs made in foreign yards, Mr. Greene, subject to duty, the emergency repairs under contract?

Mr. GREENE. Yes, it is my understanding that they are subejct to duty, unless they are classified as emergency repairs.

Mr. CLARK. Yes. That is my view.

Now, the American Mail Line, Ltd.: This period is 1947 through 1952. The total repairs were $2,911,783. The cost of the foreign repairs within this was $62,641, and the percentage of foreign repairs to the total was 2.15 percent.

The American President Lines, Ltd.: Total repairs were $8,737,809, for the period 1947 through 1952. Cost of foreign repairs was $208,956 or a percentage of foreign repairs to the total, of 2.39 percent.

Farrell Lines, Inc.: The period is 1947 through 1952. Total repairs, $3,691,121, of which $55,082 was foreign, or a percentage of 1.49 was foreign.

Grace Line, Inc.: The period here is from 1947 through 1952. The total repairs were $4,343,469, of which $5,328 was in foreign yards, or a percentage of 0.12.

Lykes Bros. Steamship Co., Inc.: The period was 1947 through 1952. The total repairs were $15,479,071, of which $131,493 was in foreign yards, or a percentage of 0.85.

Mississippi Shipping Co., Inc.: The period is 1947 through 1952. Total, $5,549,885, of which $89,727 was for foreign repairs, or a percentage of 1.62 for foreign repairs.

Moore-McCormack Lines, Inc.: The period, 1947 through 1952. The total cost of repairs was $7,546,094. The cost of foreign repairs was $66,252, or a total of 0.88 percent.

I will move rapidly through the rest of these, Mr. Drewry. There are only a few left.

New York & Cuba Mail Steamship Co.: For the period 1948 through 1952, the total cost of repairs was $946,802. The cost of foreign repairs was zero, and the percentage is zero. No repairs in foreign yards.

Oceanic Steamship Co.: The period is 1947 through 1952. The total cost for repairs, $1,756,785. The cost of foreign repairs is zero and the percentage is zero.

Pacific-Argentine-Brazil Line, Inc.: The period is 1949 through 1952. The total cost of repairs, $321,585. Cost of foreign repairs, $6,780. The percentage of foreign repairs is 2.11.

Seas Shipping Co.: 1947 through 1952. The total repairs were $2,818,797. Cost of foreign repairs was $35,323, and the percentage was 1.25.

United States Lines Co.: 1948 through 1952. The total cost of repairs was $10,636,816. Cost of foreign repairs, $98,813, or a percentage of foreign repairs of 0.93.

That makes a total of repairs for the periods involved of $69,152,200. Of that, only $944,715 was in foreign yards, or a grand total percentage, composite, of all the companies for these periods from 1947 through 1952, of 1.37 percent.

My observation, Mr. Drewry, is that that is a pretty low percentage in foreign yards.

Mr. DREWRY. I would say so.

Mr. Clark, are you in a position to give figures on the cost of repairs made in American yards on foreign flagships?

Mr. CLARK. I am not prepared to enter that into the record this morning, but I would be happy to submit something for you on that.

Mr. DREWRY. If you could, I would like to have that for the record.

Mr. CLARK. We will make an effort to submit a document for you on that subject.

(The information requested was not received at the time the hearing was printed.)

Mr. DREWRY. Mr. Clark, someone asked Admiral Wilson whether or not Grace Lines or Moore-McCormack ships, the new passenger ships, have been included in the fiscal 1954 budgets.

Mr. CLARK. I think that was answered. That proposal took a little bit of a tailspin. It was in and out for several points.

The funds for construction of these ships were included in the original 1954 estimates as presented to the House Appropriations Committee by the former Secretary of Commerce. The funds for these ships were limited. The funds provided by the House contained no appropriation for these ships.

I forget who testified on this thing, at the moment. Well, we testified here on the first day, I believe on Friday last, that a study

was being made of this whole ship-construction program, before we made final presentation to either Grace Lines or Moore-McCormack ships.

I think Mr. Murray covered this also. It is not a question of not going ahead and building these ships. It is merely a question of such deferment as may be required so a full review can be made of this matter before being submitted by the new administration to the Congress.

However, in line with the new concept of financing the cost of constructing these ships, the Senate appropriations included an amendment to the House bill, providing contract authority for the United States Government's share of the cost, on the theory that shipping companies would arrange for private financing and their share of the cost of construction. In debate on the Senate floor, this amendment was stricken out with the result that we have no money in 1954.

Mr. DREWRY. Thank you, sir.

What is presently being done with respect to ore-carrier construction and/or reconversion of existing vessels to ore carriers?

Mr. CLARK. That is a very knotty one, Mr. Drewry.

The principal activity by the Maritime Administration at the present time to increase ore-carrier capacity is under ODM expansion goal No. 113 entitled, "Ore Carriers-Oceangoing." This expansion goal, dated June 12, 1952, authorizes the granting of certificates of necessity for rapid tax amortization for 38 oceangoing ore carriers, each of 25,000 deadweight tons and 14-knot equivalent capacity;

So far under that program no oceangoing ore carriers have been built, nor has actual construction been started on any.

The Program Planning Office has been conducting negotiations with the following companies to encourage construction under the expansion goal authority:

*Status of certificates of necessity*

| | Number | Dead-weight tons | Knots | Status | Flag |
|---|---|---|---|---|---|
| U. S. Steel Co | 9 | 40,000 | 14 | Canceled | United States. |
| Troy Browning | 3 | 30,000 | 17 | Planned | Do. |
| Bethlehem Steel Corp | 1 | 31,500 | 17 | do | Do. |
| American-Hawaiian | 5 | 20,000 | 16½ | do | Do. |
| Total | 18 | | | | |

For American-Hawaiian, certificate is not issued. Work is being done in Japan.

RÉSUMÉ OF EXPANSION GOAL ACTIVITY

(*a*) The U. S. Steel Co. notified the Maritime Administration that the company would like to extend its certificate, to build nine 45,000-dead-weight-ton ore carriers, for 3 years. As a result, the certificate has been canceled. During the period of CMP steel and other scarce materials were requested to be set aside for these vessels. It was expected at that time that construction would commence in 1953.

(*b*) Troy H. Browning Steamship Co., Inc., has been granted a certificate of necessity covering three 30,000-dead-weight-ton ore

carriers with the expected date of commencing construction scheduled for October 1953.

(*c*) The Bethlehem Steel Co. certificate for one 30,000-dead-weight-ton ore carrier is in force and date of commencing construction is scheduled for June 1954.

(*d*) After unsuccessful negotiations the American-Hawaiian Steamship Co. decided to have its C4 general cargo ships converted to ore carriers in Japan. When converted these ships will fly the American flag. The work is expected to be completed during 1954.

The general situation with respect to completing the authorized 38 ore-carrier expansion goal is discouraging. Current discussions with the 2 holders of valid certificates covering 4 ore carriers indicate that construction will probably be set ahead. Firm starting dates for construction are not obtainable from the shipyards and the element of uncertainty increases.

Since studies in 1950 showed the need for an oceangoing bulk carrier with up-to-date characteristics, the Division of Preliminary Design prepared studies on bulk carriers and submitted their recommendations to the Administrator December 19, 1951. The characteristics proposed were as follows: Length between perpendiculars, 630 feet 0 inches; depth 50 feet 6 inches; beam 87 feet 9 inches; draft 34 feet 0 inches; displacement 40,150 tons; dead weight, 30,000 tons; shaft horsepower, 12,500; speed, sustained, 16 knots; cruising radios, 10,000 nautical miles.

In the fall of 1951, at the request of the Administrator, preliminary design studies were made to determine the desirability of converting C4–S–A1 and C4–S–B1 type ships to all-purpose bulk carriers for oceangoing service. It was felt that these ships, built during World War II, and converted to troopships, hospital ships, and so forth, did not have the desired efficiency and safety required for these services, while, on the other hand, they seemed to be eminently suitable for conversion to oceangoing bulk carriers which at that time were considered highly desirable for strategic reasons. As a result of the investigation into the desirability of converting C4 types, two proposed conversions were recommended, (1) the converted ships would have dead-weight capacity of 19,500 and 20,000 tons, respectively, and (2) the sea speeds would be 15½ and 16½ knots sustained.

A bill, H. R. 5666, October 9, 1951, was introduced into the House of Representatives to implement this conversion program. The bill was not enacted.

Mr. DREWRY. Thank you.

Do you have any figures in regard to the shipbuilding program, the number of ways required, and the number of shipyard workers which would be needed to carry forward the building program recommended by Admiral Wilson?

Mr. CLARK. Yes, I have, Mr. Drewry.

In a statement before the Special Senate Subcommittee on Maritime Subsidies on June 16, 1953, Admiral Wilson indicated a deficiency in active operating ships as follows:

| | |
|---|---|
| Dry-cargo ships | 165 |
| Passenger ships equivalent to the P2 class | 6 |
| Tankers equivalent to the T5 class | 45 |
| Total | 214 |

He recommended that these deficiencies be reduced to a maximum degree and as rapidly as commercial utilization and the national economy will permit.

In order to determine commercial utilization, a survey was made of shipway capacity in existing commercial shipyards capable of constructing modern ships of the type and size recommended by Admiral Wilson. The survey indicated a total of 43 available ways, some of which are currently used in the construction of Navy ships, cargo ships, and tankers. The rehabilitation of nonusable ways in these existing commercial yards was not considered, nor were reserve yards included.

CONSTRUCTION

It is estimated that the recommended construction will total approximately 2,940,000 tons, and if contracted for would be virtually completed by available commercial shipyards by the middle of 1958. A breakdown of ship deliveries is:

| | Cargo | Number of tankers | Passengers | Tons |
|---|---|---|---|---|
| *1954* | | | | |
| 3d quarter | 2 | 1 | | 46,000 |
| 4th quarter | 6 | 2 | | 113,000 |
| *1955* | | | | |
| 1st quarter | 6 | 2 | 1 | 135,000 |
| 2d quarter | 13 | 5 | | 261,500 |
| 3d quarter | 12 | 2 | 1 | 198,000 |
| 4th quarter | 10 | 2 | | 155,000 |
| *1956* | | | | |
| 1st quarter | 11 | 4 | 2 | 259,500 |
| 2d quarter | 12 | 3 | | 201,000 |
| 3d quarter | 12 | 3 | | 201,000 |
| 4th quarter | 12 | 4 | 1 | 248,000 |
| *1957* | | | | |
| 1st quarter | 12 | 2 | 1 | 198,000 |
| 2d quarter | 13 | 2 | | 186,500 |
| 3d quarter | 12 | 6 | | 276,000 |
| 4th quarter | 10 | 1 | | 130,000 |
| *1958* | | | | |
| 1st quarter | 10 | 1 | | 130,000 |
| 2d quarter | 9 | 2 | | 144,500 |
| 3d quarter | 3 | 1 | | 56,500 |
| Total | 165 | 43 | 6 | 2,939,500 |

The following assumptions are used in developing this construction program:

1. Using existing commercial yards having adequate facilities and not committed solely to Navy construction.
2. Awarding contracts by October 1, 1953.
3. Utilizing all 43 ways as they become available through completion of present Navy and commercial programs. Additional Navy contracts in yards now constructing merchant and Navy ships will somewhat delay the completion of the program.
4. Normal production using single labor shifts but building up labor force as required.
5. Estimate cargo ships as 10,500 dead-weight tons each. Estimate tankers as 25,000 dead-weight tons each. Estimate passenger ships as 22,000 gross tons each.

SHIPBUILDING EMPLOYMENT

It is estimated that the shipyard employment or direct labor required for this program will build up to a high of 45,000 men during 1956. The present direct labor employed in the shipyards selected for this construction is approximately 26,000 for all Maritime and commercial contracts but excluding Navy work.

Mr. DREWRY. Thank you.

We will now have a short recess.

(A short recess was taken.)

Mr. DREWRY. Mr. Clark, we will proceed with a few more questions; and then, in an effort to speed Mr. Bailey along, we will ask him to come to the stand.

Mr. CLARK. I would like to apologize to Mr. Bailey for having to wait.

Mr. DREWRY. Mr. Clark, we have just discussed estimates on shipbuilding potential and its requirements. Could you give us a statement on the commercial justification for shipbuilding potential in the United States?

Mr. CLARK. Yes, Mr. Drewry.

As a general comment on the necessity of shipbuilding, the following, written by Prof. James W. Cullin, assistant director of research, Graduate School of Business Administration, Harvard University, is quoted:

> It is not because of any inalienable right to engage in shipbuilding that the private operators ought to continue in business but rather because of the special qualities which they have to offer a country that needs a shipbuilding industry. The Federal Government is responsible for preserving the industry because shipbuilding is necessary for national security and will not be properly maintained by economic forces alone. By making use of the special qualities available only in private yards, however, the Federal Government can better and more cheaply assure the continued existence of a healthy, though small, shipbuilding industry in the years ahead so that in this area at least the country's security will be protected.
>
> One of the subtlest lessons to be learned from a study of economics and shipbuilding is that economics, as it is usually understood, is not the controlling factor in shipbuilding to the extent that it is in many other industries. The importance of shipbuilding to the nations of the world, both in their warmaking activities and in their economic development, has been so great that economics has been tempered by and at times supplanted by politics. At times, then, questions in shipbuilding that appear to be economic are answered with political answers.
>
> This final word, stressing the importance of politics in shipbuilding, should not be taken as including any of the sinister insinuations sometimes implied in the word "politics." Rather, the importance of politics is a natural development which grows out of the relationships of shipbuilding to the welfare of nations. Economics was once defined as "a study of mankind in the ordinary business of life" and politics as "the science and art of government." Thus, the fact that the shipbuilding industry has been influenced by politics is merely a projection of the fact that shipbuilding is important not only to people trying to make a living but also to nations trying to protect and improve their positions in the world.

The need for a shipbuilding potential in the United States stems from both political and defense considerations.

Two basic considerations regarding shipbuilding and shipping are noted: First, its international character and, secondly, the fact that the industry, in its complexity, cannot be improvised overnight.

From a commercial standpoint we may (*a*) rely on foreign bottoms, (*b*) purchase foreign-built ships and operate them, or (*c*) build and

operate ships in sufficient numbers to guarantee free and undiscriminated access to the markets of the world.

If we rely on foreign bottoms, we open ourselves to commercial discrimination and in an emergency might find no shipping available to us and no potential to build shipping. On this point the situation just before World War I should be examined.

If we purchase foreign-built ships, we have a protection against shipping discrimination but still have no means of ship production in an emergency.

The third alternative—that is, adequate shipping to guarantee a minimum undiscriminated access to the markets of the world and means to produce this shipping—is understood to be the present economic requirement.

The shipping required to meet this standard is constantly changing with world conditions and with technological developments and is subject to constant reassessment. In the absence of better data, it is assumed that the present operating private American-flag ships are required for economic reasons. Inasmuch as of December 1952 these ships were carrying only 21.8 percent of dry cargo and 27.7 percent of tanker exports and 36.9 percent of dry cargo and 26.6 percent of tanker imports—Census Bureau—this fleet requirement is considered conservative.

As of April 30, 1953, the privately owned active American-flag ships of over 1,000 tons totaled 14,648,100 dead-weight tons, excluding special ships such as cable vessels, ferries, and so forth. This tonnage carried the foreign trade mentioned above plus coastwise trade, predominantly tanker. The economic life of a ship does not greatly exceed 20 years on an average, and for many types the life may be less. This indicates that for the present fleet replacements are required at the rate of about 730,000 dead-weight tons per year, and this replacement is commercially justified.

The average 730,000 dead-weight tons mentioned will vary in types of ships from year to year, will be considerably less than the average in the immediate future and greater later on. The following table gives the approximate completion requirements by years to keep ships under 20 years of age:

| | *Dead-weight tons* | | *Dead-weight tons* | | *Dead-weight tons* |
|---|---|---|---|---|---|
| Now | 739,000 | 1957 | 104,000 | 1961 | 3,490,000 |
| 1954 | 83,000 | 1958 | 333,000 | 1962 | 4,450,000 |
| 1955 | 159,000 | 1959 | 467,000 | 1963 | 4,790,000 |
| 1956 | 115,000 | 1960 | 943,000 | | |

As a measure of the number of ships involved, it may be noted that 730,000 dead-weight tons corresponds to about 60 average dry-cargo ships and tankers per year and corresponds to a shipyard productive labor load of about 45,000 men, or about 50 active shipyard ways.

From a defense standpoint, required shipyard potential may be otherwise examined. A look at an air map of the world indicates that in a general war the United States would be required to build and repair almost the total of ships for both herself and her allies; no dependence can be placed at any other point.

The commercial type of ships required for mobilization has been scheduled but is classified. An analysis has indicated that for new construction of this type of ship a minimum of six six-way shipyards,

over and beyond all shipyards (active, inactive, and reserve) now existent, will be required.

In regard to personnel, the mobilization analysis indicates that a productive shipyard force of about 500,000 total will be required.

On a rapid expansion of a shipyard load the efficiency rapidly falls off with dilution of the skilled workers with unskilled workers. The exact dilution possible is not fixed and depends on many circumstances However, a rapid dilution of over 10 to 1 does not appear to be feasible. On this basis, a skilled labor force of about 50,000 production in shipyards appears necessary to meet a mobilization requirement of 500,000. The dilution, of course, may be greater if the expansion is slower. What could actually be attained would depend on so many factors (location of yards, labor market, type of workmen, type of work, and so forth) that the prediction can only be very general.

Mr. DREWRY. Mr. Clark, there was also a question asked of Admiral Wilson as to whether or not the Mariner could be equipped with more up-to-date cargo-handling gear, if it was redesigned to date.

Mr. CLARK. Mr. Drewry, the answer to that is "Yes."

In regard so the cargo handling gear, the E-bolt type burtoning gear is being specified. It was to be installed on the *Schuyler Otis Bland* at the time of the contract. The installation was considered, but it was not adopted because of certain opposition among the operators, and had not in fact received the service test. So, the standard burtoning gear was installed.

Subsequently, the E-bolt gear has seen 2 years of service and proved very satisfactory to 2 private operators. The Maritime Administration now contemplates general installation on large dry-cargo ships built for the Government.

Additionally, various other types of burtoning gears—cranes, and so forth—are being used to some extent, and have been considered by the Maritime Administration. For various reasons, none of these, however, are considered as satisfactory for general service on the large dry-cargo ships as the E-bolt gear. However, on a ship built for sale, the Maritime Administration has no objection to any kind of cargo-handling gear that the purchaser may desire to specify.

I think perhaps that is a rather direct answer to the question.

Mr. DREWRY. It is, sir. Is the difference between the standard burtoning gear and the E-bolt burtoning gear extensive, or something that could be changed right now, or for the balance of your program?

Mr. CLARK. The main difference there is the point at which the booms are able to be moved from various points on the ship, including not only picking up the cargo out of the holds, but also transmitting it over to the shoreside.

I will ask Captain Hicks, the expert on that, whether he will indicate if there is extensive expense involved in converting to the E-bolt type gear.

Captain HICKS. That would be most expensive. That was explored in connection with Pacific Far East Line's ships, and it was very expensive to go forward with, in this case.

Mr. DREWRY. Thank you, Mr. Hicks.

Mr. Clark, I think that will conclude your cross-examination.

If Mr. Bailey would like to come forward now, we would be very glad to hear from him.

Mr. CLARK. Thank you, Mr. Drewry.

Mr. DREWRY. Thank you very much, Mr. Clark.

Mr. Bailey, I believe you were out of the room when I came back in, but Senator Potter is still before the Rules Committee, and he said that he would be here just as soon as he could, and he was very interested in hearing your testimony. Is it agreeable to you now to proceed? Senator Potter will be here before you get too far along.

## STATEMENT OF FRAZER BAILEY, NATIONAL FEDERATION OF SHIPPING, INC.

Mr. BAILEY. Thank you, Mr. Drewry.

Mr. name is Frazer Bailey. I am appearing for the National Federation of American Shipping, Inc., an industry organization representing a substantial majority of all deep-water American-flag ships. My appearance this morning is in response to a letter from your chairman, asking for testimony on the size and composition of the American merchant marine.

We understand this refers to (*a*) the existing size and composition; and (*b*) a projection of these same characteristics, or in the words of your chairman, "as it is—and as it ought to be—for defense and commerce requirements."

I will not burden the committee with a recitation of the goals and ambitions of the American shipping industry. It will suffice to say that we have continually set as our target a fleet of American-built and American-manned merchant vessels, capable of transporting under normal competitive conditions all of our domestic waterborne commerce and not less than one-half of the foreign commerce of the United States. We think this target and this ambition are supported by national policy. We interpret the Merchant Marine Act of 1936 as a congressional mandate to foster the development and to encourage the maintenance of such a merchant marine.

The subject with which we are here concerned divides itself automatically into two parts: "Size," which we shall assume to be the capacity, comprised of ships, their respective tonnages and speeds, adding up to an ability to transport a given amount of commerce. The term "composition" we shall understand to be the primary physical characteristics of these units, dealing principally with design, speed, tonnage, and adaptability to various specialized types of services.

It appears desirable to break these down into other primary classifications, where a clearer and more understandable picture may be presented. These will be: (*a*) Passenger ships, (*b*) cargo ships—subsidized, (*c*) cargo ships—unsubsidized, (*d*) bulk dry cargo carriers or tramps, (*e*) bulk liquid cargo carriers, or tankers, (*f*) bulk ore carriers.

Before considering these subdivisions specifically, we feel that a general statement is desirable.

It is comparatively simple to show statistically the size and composition of the American merchant marine of today. It is also easy to show comparative figures as of almost any particular time in the past. However, if we are considering not only what we have today, but what we should have in the future, we enter the field of prognostication, if not prophecy.

We have recently emerged from two world wars, the severities of which surpassed anything in history. Two distinct and directly contradictory ideologies exist in the world, contesting for control of the pattern of civilization of the future. The tempo of evolution from dependent or colonial status to independent free nations is at its maximum in recorded history.

It requires no emphasis by this witness to impress the committee that these forces must, of necessity, have a great influence upon the future interchange of goods between nations. Further, the population of the world is growing at an amazing rate and there is every evidence that living standards throughout the world are rising, and will continue to rise sharply.

All of these must have a marked effect upon world commerce and the ships for its delivery. Perhaps never before has the trade of the world been potentially less static and it would be a brave man indeed who would attempt to evaluate this situation in terms of specific number of ships, of tonnages and speeds, for the future.

In the light of these circumstances, we suggest that the soundest approach to a projection of the future is to make the best possible estimate of traffic potential, and we confess that has to be very limited in its definiteness, reduce it to represent that portion which should be transported in American ships, and then apply a projected fleet having the necessary capacity and characteristics to carry this commerce under normal competitive conditions, allowing for seasonal and other peaks and valleys in a traffic pattern.

This is generally the method followed by an individual shipping line in establishing a new service—or extending an existing one.

We should consider separately the domestic waterborne commerce which Congress has said should move in—and has been confined by law to—American ships.

Other than to noncontiguous territories, its competition is the railroads, trucklines, and the airlines and buses for passengers.

The expense increase of the domestic waterborne carrier in late years has been disproportionately higher than its competitors. How this may be brought again into balance is a perplexing problem. These ships were nearly all withdrawn for war purposes in World War II, and while we believe no one may successfully deny the relative economy of the water carrier under normal conditions for important elements of this traffic, there yet remains doubt as to whether this business may be fully recovered—and properly extended.

As to foreign commerce, we suggest that the statistical record be examined, including the annual rate of growth over a long period; that the principles of the Merchant Marine Act be applied, and a projection made of the number, size, and type of units required to transport this traffic under assumed normal competitive conditions—as of today and the foreseeable future.

In terms of national defense, the United States military authorities are necessarily the best authority. Having experienced two world wars, however, we have learned by experience that in times of national emergency there never have been sufficient merchant ships to meet military demands.

We are not suggesting that the full need of a major emergency can be kept in ready availability. Admiral Wilson has suggested to you

what is considered by the military authorities as the "impact" or stop-gap fleet, which must be augmented and expanded, depending upon the seriousness of the emergency.

Secretary of Defense Wilson recently said that American industries should be dual-purpose plants. We think this applies particularly to our merchant marine. The vessels provided for peacetime should be of a character reasonably adaptable to war purposes, in active operation with trained and experienced crews, and therefore the most effective auxiliaries. The ships that are required for national defense purposes should have well-conceived commercial characteristics, so that the transition from peacetime to wartime service, and vice versa, may be most promptly and economically made. It appears axiomatic that the dual-purpose vessels must be capable of efficient commercial operation, if they are to meet and survive serious commercial competition. They cannot be burdened with defense characteristics which impair this ability.

We believe this can be successfully met, if the cost of defense features are completely borne by the Government, and if there be full consultation and collaboration of both parties in working out the design. The designers for the respective parties should not work in a vacuum. It should be possible to blend in the defense features, or their potentialities, without encumbering the commercial design.

When considering the size of an impact fleet, I am sure the military authorities will agree that a very important matter will be the destructive quality of the enemy's weapons at the time of the emergency. If this destructive character is vastly enhanced, as unfortunately there appears to be substantial prospect, then, of course, the impact fleet must be proportionately larger, if it is to hold the line until other auxiliary vessels can be built or procured and placed into service.

Now, with respect to the subdivisions or particular types of service, to which we first referred: Part 1, passenger ships.

The passenger traffic potential, i. e., passengers entering and clearing United States ports in overseas travel by sea and air, computed on an annual basis using the last 6 months of 1952, are as follows:

*Passengers entering and clearing United States ports in overseas travel, by sea and by air (July 1 to Dec. 31, 1952, on an annual basis)*

| | Passengers carried in and out— | | Percent, United States ship of all ships | Percent, United States planes of all planes |
|---|---|---|---|---|
| | Sea | Air | | |
| Europe | 831,072 | 542,652 | 28 | 57 |
| Other | 366,164 | 1,191,570 | 72 | 70 |
| Total | 1,197,236 | 1,734,222 | 42 | 66 |

The size of the privately owned United States passenger fleet (vessels with a capacity for 13 or more persons) for the year 1939 compared with the year 1952 is as follows:

| Active fleet | Number | Gross | Single-trip passenger capacity |
|---|---|---|---|
| 1952: [1] | | | |
| Foreign trade | 36 | 395,100 | 8,599 |
| Domestic trade | 6 | 45,800 | 1,832 |
| Passenger | 42 | 440,900 | 10,431 |
| 1939: [2] | | | |
| Foreign trade | 68 | 588,900 | 21,837 |
| Domestic trade | 49 | 288,400 | 14,117 |
| Total | 117 | 877,300 | 35,954 |

[1] Excludes: 8 active Government-owned vessels of 122,300 gross, and 3,264 passenger capacity; 4 privately owned vessels of 34,400 gross inactive.
[2] Excludes: 6 active Government-owned vessels of 91,400 gross, and 1,787 passenger capacity; 28 privately owned vessels of 225,800 gross inactive.

NOTE.—Since the 1952 average figures, 5 passenger ships have been removed from service.

Mr. DREWRY. Mr. Bailey, at that point I would like to ask, has there been a noticeable change in the total number of passengers going to Europe and other places since 1939, either upward or downward? Has there been a significant trend to increase?

Mr. BAILEY. Mr. Drewry, there was a dropping off of passengers following 1945, and we have just now recovered to our 1945 position.

In the 1930's there was a substantial reduction, but it appears to be due to economic conditions around the time of the depression in 1932. So, the total overseas passenger rate, although it is somewhat higher now, is not a great deal higher, and it is difficult to balance out because it is so sensitive to economic and war conditions.

If there is a threat of war, people do not travel overseas. If we have severe economic conditions, one of the things we eliminate from our family budgets are the luxuries, such as overseas travel.

So, we do not have a very marked trend, although we have a general overall increase, if we go back over a period of about 20 years.

Mr. DREWRY. It would appear that the employment of passenger ships under anything that can be conceived of as normal conditions would be slightly on the increase, at least, and hold its own, as against the airplane, which also is increasing; is that right?

Mr. BAILEY. Of course, aviation has complicated that picture a great deal. If we can hold our previous record, which was nearly all sea, against the aviation competition, there is a tremendous increase in the overall number of passengers, but the sea portion is holding what it formerly had, notwithstanding the aviation competition which has now come in for a substantial part of it.

That is about the way the picture looks.

Mr. DREWRY. Thank you.

Mr. BAILEY. It will be observed that for this period approximately 40 percent of these passengers moved by sea and approximately 60 percent by air. To and from Europe the ratio is approximately reversed. That is understandable, where the concentration of our foreign competition is based in the North Atlantic by the British Cunard, the White Star, the Italian, and French line, and they are making their biggest fight for that lucrative North Atlantic trade.

The participation of United States ships in this overall traffic was 42 percent. It is therefore obvious that we are slightly short of the

goal set by Congress and our own target in the carriage of overseas passengers on American vessels.

It is interesting, of course, and I think it is very well understood that the United States is the greatest generator of overseas passenger travel of any in the world. We are the source of that business, whether we carry it or not.

With respect to military requirements for ships of this character, it will be noted that the Department of Defense has recommended a merchant ship construction program embodying six passenger ships, equivalent to the P–2 type built during the war, and primarily used as troop transports. Admiral Wilson states the private fleet requirement is 250,900 gross tons, the equivalent of 26 national troop transports. We presently have in the private active fleet 37 passenger vessels of 405,000 gross tons. In other words, we have more than Admiral Wilson says the requirement is for the privately owned passenger fleet. It must be that certain of these are ruled out by Admiral Wilson as unacceptable for defense by age, size, or speed.

I am sure that is the answer, that the ships shown as passenger ships do not meet all the qualifications that Admiral Wilson and the Defense Department hold are necessary for defense purposes.

Mr. DREWRY. That is our understanding.

Mr. BAILEY. There can be little doubt that recent controversies over the three fine passenger steamships built by private companies since the war for the North Atlantic and Mediterranean trades has had a seriously deterring effect upon additional passenger ships.

It is unnecessary to dwell upon the validity or sanctity of Government contracts once made, where no charge of fraud or collusion on the part of the private interest has been advanced. We are certain the committee shares our view that the Government itself should set fot its citizens a high example of meeting promptly and fully contractual and moral obligations.

It has also been most unfortunate that, for budgetary reasons, funds were not provided this year to meet the Government's contribution, under contractual requirements, to build four new, large, modern passenger steamships for replacements.

In our opinion no economy can result from merely delaying or postponing the acquisition of these vessels while this segment of our merchant marine, both commercially and defensively remains deficient.

In the domestic trades we unfortunately are reduced to only 6 passenger steamships as of 1952. The great increase in operating costs of vessels of this character and the heavy inroads by aviation have greatly reduced the domestic passenger-carrying fleet to about one-eighth the number of ships of 1939 and to something more than 10 percent of the previous single-trip passenger capacity.

Mr. DREWRY. Mr. Bailey, where do those six ships operate?

Mr. BAILEY. There is a Puerto Rican ship,1 to Hawaii, and 4 ships in the Alaskan trade.

Mr. DREWRY. They are all in the noncontiguous trades?

Mr. BAILEY. Yes; Alaska, Hawaii, and Puerto Rico, one each in those trades, and the smaller ships in the Alaskan trade, a completely deficient passenger-carrying fleet for our domestic services.

Mr. DREWRY. I believe I have heard that applications for passage to Hawaii have been increasing rather than decreasing in recent

years despite the competition from aviation. Have you heard any figures on that?

Mr. BAILEY. I can remember the Hawaiian trade when we had a passenger potential of 40 persons a month, and when we come up to today the vast amount of people passing over that route is continually growing.

I have not heard anything lately, but my information is that there is a demand for passenger travel by sea in excess of the facilities that are available. People have told me it is impossible to get passage for ships sailing many, many months ahead.

I personally am bullish on the passenger business to Hawaii. I think many people who go there travel for pleasure, and when you travel for pleasure there is nothing that is comparable to a ship.

Mr. DREWRY. And you like a new, fast, pleasurable ship to do it in?

Mr. BAILEY. I do not care whether it is fast, Mr. Drewry. I have never been quite ready to go ashore when we arrived if I was on a good ship.

Now, we come to part II, the dry-cargo berth services—subsidized. I will touch very lightly on that because you have much testimony already before this committee on that.

There has already been presented to your committee statements by the group of subsidized operators performing under route contracts authorized by the Merchant Marine Act of 1936. They are, of course, the best authorities in their field.

It is not our purpose, in a broad industry presentation, to say other than that this segment of the American merchant marine is an extremely important one in the carriage of the foreign commerce of the United States and in providing the largest, fastest, and most valuable military auxiliaries, because their peacetime services and the competitive conditions which they must meet lend themselves to this situation.

That they are more nearly measuring up to the national policy and our industry target in their particular field—that is, they are carrying a larger portion of the commerce generally—is a credit to the Merchant Marine Act, which has made this possible, and to their own efforts and determination in the face of many difficulties.

Now, part III, dry cargo berth services, foreign unsubsidized and domestic.

Vessels engaged in these services are shown below for 1952 compared with 1939.

| | Number | Dead-weight tons (millions) |
|---|---|---|
| *1952* | | |
| Foreign service: Unsubsidized companies | 170 | 1.7 |
| Domestic service | 93 | 1.0 |
| Government-owned vessels chartered and operated by private companies | 29 | .3 |
| *1939* | | |
| Foreign service: Unsubsidized companies | 45 | .4 |
| Domestic service | 360 | 2.7 |
| Government-owned vessels chartered and operated by private companies | 35 | .3 |

Senator POTTER. Mr. Bailey, I wish to apologize for being late, but I had to appear before the Rules Committee in connection with our studies. So while I regret I could not be here, I think the purpose of my being away warranted my absence.

I do want to say that we did not know this was going to come up today when we asked you if you could appear, because I feel that with your wide experience and the knowledge of our maritime problems, yours will be some of our most vital testimony that we have received.

Mr. BAILEY. Mr. Chairman, you are very kind.

I have started here with Mr. Drewry, and I have covered the general statement and the passenger service and subsidized cargo services. I hope my testimony will not be found inadequate or unsatisfactory, because of its lack of numerical definiteness. It is our feeling that it is almost impossible with the changing conditions of today to state with definiteness the numerical character of either tonnage or ships, but we must deal with the generalities of the case and blend those together to make the best picture.

Now, in the third part—I said we divided these subjects automatically into subdivisions, because we thought we could tell them better. The first two subdivisions to which I testified related to the passenger service, and to the subsidized cargo vessels. I will now take up, with your permission, the third subject, which is the unsubsidized cargo ships, and I will start again at the beginning of that subject.

The dry-cargo berth services, foreign—unsubsidized, and domestic.

I included a schedule in my statement, which shows that in 1939 there were 45 unsubsidized ships operating in the foreign service under the American flag, and today we have 170.

In 1939 there were 360 ships in the domestic trade, and today we have only 93.

I said earlier in the statement, Mr. Chairman, that is seemed to us the only way we could approach this was to try to estimate to the best of our ability the traffic potential, the volume of business which might be available, and then try to determine, using whatever formula is decided upon, what is the proper American participation in that volume of traffic, and then try to project the fleet which would have the capacity to transport that business, taking into account the ebb and flow of business, and other circumstances which you naturally have to assume.

That is our philosophy about how you have to go about doing it, and that is our experience about how private companies do it. If they are going to start a new service, they have to find out how much business is likely to flow over the route they are considering. Then they say, "How much of that do I have the ability so get from my foreign competitors and from my other American competitors? When I decide how much of that traffic I can get for myself, then how much of a fleet do I need, and how is my business-getting ability and my capacity for handling the business? Is it such that this is the tool that I need to do a specific piece of work?"

You have to decide what the work is, and then decide on a tool for that specific job.

Senator POTTER. That is a sensible approach.

Mr. BAILEY. The volume of waterborne domestic commerce today as shown by statistics has little relationship to the potential. For

reasons already stated, there has been an artificial diversion, and recovery is uncertain; notwithstanding the undisputed economy of the water carrier for certain particular traffic and in certain particular areas.

Senator POTTER. What do you mean by "artificial diversion"?

Mr. BAILEY. In the first place, we lost a good deal of our domestic fleet during the war, and in the second place, the economics are out of balance, due to the very much larger increase in operating costs of the water carrier versus its land competitors. The railroad companies, bus and truck companies have not gone up in the same proportion as the water carrier, and that, we think, has artificially diverted it.

Until we come back into balance, we will not be able to get that proportion which should normally go to the water carrier.

Mr. DREWRY. If the capital requirements could be met, then the operating economies would be greater, is that not correct? That is if the ships were in being, they would be competitive, as far as their operating——

Mr. BAILEY. I am not even sure of that, because our direct operating costs are out of proportion.

Let us take labor. The labor costs on ships have gone up considerably faster than the labor costs on the rails, or on the trucks, and that has made it disproportional and therefore has affected the rate level.

We cannot get business for the water carrier if the rates are substantially higher than the competing land transportation system. So, even if we had the ships, we would still have a problem. It would reduce the problem somewhat, but we would still have a problem in direct operating costs, of the character of labor.

It will be noted that privately owned vessels in domestic liner service, 1952, are only 25 percent in number, and a third in tonnage of those so employed in 1939. Certainly a substantial portion of this business should be recaptured, but much depends upon relative operating costs of competing forms of transportation, and hence relative rates. In the consideration of these costs, comparably high seagoing wages, and very expensive cargo handling and terminal costs bear heavily against our domestic water carriers.

We do not think we have made the improvement we should make in time and in cost on cargo handling on the ships. We have many of the domestic services, or at least some of them, where the cargo handling costs and terminal costs consume over half of the revenue, and under those circumstances it makes a very heavy burden upon the carrier.

The federation has been loudly proclaiming the need of improved cargo handling gear and methods for several years and believes much can be done in ship and terminal design to this end.

Ultimately, of course, these will be solved and the normal and natural traffic will return to the normally economical system—the water carrier. When this occurs, in a growing country with higher living standards, more ships than were heretofore employed—numerically and tonnagewise can be expected. But to name numbers and dates under so unsettled conditions would be extremely hazardous.

FOREIGN SERVICE—UNSUBSIDIZED

On the other hand, the unsubsidized dry-cargo vessels in foreign liner services are about fourfold the number and tonnage of ships so employed in 1939.

This is accounted for primarily by the increased volume of United States exports and imports since World War II, due to heavy shipments for rehabilitation and reconstruction and United States foreign aid. As these requirements recede, and as foreign fleets recover from their war losses, the extent to which these vessels can continue to meet foreign competition presents a serious question. Some have recently applied for operating differential subsidies and more may be forced to do so. There is also an important group of vessels owned by or connected with large American industries which are reluctant to seek Government aid. Most of these carry a high preponderance of common-carrier cargo and are an important element in developing our foreign trade. Because they have some controlled traffic, due to common ownership, or some industrial relationship, does not detract from their ability to serve the public. They have made equally heavy contributions of ships for war purposes, and have suffered heavy war losses.

In the postwar period for the reasons stated, and especially due to the wise policy of the Congress that 50 percent of our generous foreign aid shall move in United States ships, our participation in overseas carriage of our commerce has been at a relatively high rate.

In 1946 when the foreign fleet was greatly depleted, and the aid program was looming, we carried 71 percent of American exports in American ships.

Senator POTTER. Your percentage has gone down from 1946 to 1952, but your tonnage has increased.

Mr. BAILEY. That is quite correct, sir.

This is postwar United States dry cargo foreign trade and percent in United States-flag vessels, in million long tons, excluding trade with Canada:

| | Exports | | Imports | | | Exports | | Imports | |
|---|---|---|---|---|---|---|---|---|---|
| | Tons | Percent, United States ships | Tons | Percent, United States ships | | Tons | Percent, United States ships | Tons | Percent, United States ships |
| 1946 | 47.8 | 71 | 16.7 | 65 | 1950 | 27.3 | 36 | 30.6 | 38 |
| 1947 | 77.3 | 57 | 21.8 | 64 | 1951 | 69.5 | 41 | 33.6 | 42 |
| 1948 | 45.9 | 46 | 25.0 | 55 | 1952 | 58.9 | 31 | 33.7 | 42 |
| 1949 | 39.5 | 39 | 26.3 | 42 | | | | | |

Now, the increase, as you will see, the bulge is where the Marshall plan began. That is obvious from these figures. First, we had this tremendous demand for international ocean transportation that far exceeded the available ships, and the American ships then were in their own trades, carrying their own cargoes. It was 71 percent in the first year following the war, and a gradual decrease in participation, but a substantial increase in the volume. However, that must recede as time goes on.

Now, as conditions changed we have carried less and less. Today we are carrying only about 25 percent in American bottoms. It is

fair, and even somewhat optimistic to say that over a period assumed to represent normal competitive conditions, we are not, on the average, carrying in excess of one-third of our own commerce. If, therefore, we are to achieve our goal and the national policy set by Congress, it would appear that we must progressively increase our facilities numerically or qualitatively—or our own competitive effectiveness.

Further, over a period of 30 years, the foreign commerce of the United States has grown at an average rate of 700,000 tons per year of dry cargo. Assuming that this continues—and it should be accelerated—we should anticipate a continually expanding fleet, or effectiveness, if we are to achieve the levels set by ourselves and by national policy in the years ahead.

To try to project this to you in numbers and tonnage would be subject to so many crosscurrents of uncertainty as to make such an estimate of little practical value. Certainly the Government-owned laid-up fleet contains a number of vessels which can augment the privately owned fleet to meet any sudden demand. But again the question of quality and competitive ability is involved. They may not be sold to private owners and absorbed in the private fleet without enabling legislation—even if such purchasers were available—which appears doubtful.

The Department of Defense has testified that a "deficiency exists in actual cargo vessels," as of today, after considering the Mariner program—to the extent of 165 vessels for national defense upon the outbreak of war, compared with the current capability of the United States active merchant fleet. Those are their words.

Accepting the statement of this requirement, conditions should be created, if need be, for private enterprise to own and maintain them in operation, with trained civilian crews, serving the public in peacetime and immediately available for defense use. This cannot occur unless they are designed for commercial utilization, with the necessary defense features, and unless the economic atmosphere will permit a diligent and efficient American operator to run them at a modest profit.

## BULK DRY CARGO CARRIERS—TRAMPS

It is interesting to note that commodities which require this form of ocean transportation constitute normally about 20 percent of the foreign commerce of the United States.

We have about four-fifths of our package cargo or liner cargo, and we have about one-fifth of the bulk cargo, moving on itinerant vessels. They are relatively low-value commodities, more concerned with rate than with service, speed, or frequency.

Due to postwar conditions already stated, including the 50-percent shipping provision, United States flag bulk carrier tramps have recently, and in 1952, still carried more than a normal amount of this traffic; that is, 27 percent.

Before the war, the carriage of only 2 percent was average, due to the severe competition of the cheaply operated foreign tramps. In the postwar period, bulk foreign commerce has reached great heights—mainly in coal and grain.

Senator POTTER. The increase from 2 percent to 27 percent, as far as American tramps are concerned, is that due to great shipments of

grain and coal, as you mentioned here? Has there also been a deficiency in foreign tramp ships?

Mr. BAILEY. At the beginning of the period, there has been some deficiency, but that has been overcome. I would say that almost all of the increase in participation by the American-flag bulk dry-cargo carrier has been due to the United States foreign-aid program, and the 50-percent provision.

I am not the best witness on that as we do not operate tramps ourselves, but that would be our opinion.

This is United States foreign trade in tramp or irregular service, in millions long tons:

| | Exports | Imports |
|---|---|---|
| 1949 | 13.9 | 5.7 |
| 1950 | 9.5 | 14.5 |
| 1951 | 47.3 | 18.6 |
| 1952 | 38.1 | 19.8 |

This excludes Canadian traffic and that in military-controlled vessels.

In the near future it would appear reasonable to anticipate about 6 million tons per year. That will fluctuate, but it will be somewhere in the neighborhood of 6 million tons.

Certain of these commodities can, and should, move in parcel lots on berth-service vessels, but certain other full-cargo shipments will be required.

The Department of Defense has testified that the composition of the United States merchant fleet in peacetime should comprise both berth and tramp services.

Based on past experience and what we can presently foresee, it will be extremely difficult for these itinerant bulk carriers to survive the competition of the cheap foreign tramp.

The federation does not represent this type carrier and we are not here promoting their cause. If, however, it is found in the public interest to maintain a reasonable number—and with modest Government aid, we would not oppose a practical and well-thought-out plan.

We would ask, however, that it be carefully confined to the proper commodities and field of operations, and that it does no violence to existing contracts and services, nor the fundamental principles of the Merchant Marine Act. As the tramp operator cannot, by the very nature of his operation, meet many of the requirements and restrictions presently imposed upon the berth operator, that the aid provided be proportional, and such requirements and restrictions as are applicable in the public interest be imposed.

We would further ask the committee to consider that in times of tight budgeting, or limited appropriations, consideration be first given to those services which will be found relatively more important for both commerce and defense, due to the type of service provided, and the resulting size, speed, and character of vessels.

BULK LIQUID CARGO CARRIERS—TANKERS

The committee is in possession of full statistical data on this important segment of our merchant marine. It will have noted the traffic potential and trends and the very substantial growth of this fleet.

While having within our membership a substantial number of United States-flag tanker owners, we believe that the carriage of bulk liquid cargoes and particularly petroleum and its derivatives, is such a highly specialized business that it can best be presented to you directly by these owners. And we suggest this course to the committee, if it desires further information than it presently possesses.

Senator POTTER. We plan on having them.

Mr. BAILEY. That is a very complicated business, Mr. Chairman. It relates to the supply of petroleum, the consumer areas, whether the United States is self-sustaining in her production of petroleum, or whether we must import petroleum to meet our requirements.

That is a very complicated problem, and those people should give you the information.

Senator POTTER. It also goes into the very acute and controversial question of whether we should further develop our own resources, or whether we should save our resources to utilize the natural resources of other countries for petroleum, in this case.

Mr. BAILEY. That is right. Whether that is a proper national policy or not, is something to be considered by others than just the ship owners.

BULK ORE CARRIERS

The great importance of the subject of ocean transportation for the importation of large quantities of iron ore, is relatively recent. It did not reach such proportions until the apparent early depletion of iron-ore reserves in the United States created a new problem for the American steel industry.

Even now it can probably be fairly stated as in the early stages of evolutionary development. Traffic potential estimates of ore imports are stated as from 25 to 50 million tons per year within the next 5 to 15 years.

One interest announced that by 1960 it would be receiving from 1 overseas source at 1 United States port more than 7 million tons per year.

The present oceangoing United States-flag ore-carrying fleet is extremely small and obviously unable to cope with this approaching task.

We have no specific suggestions for the committee, except that this subject appears to fall within your inquiry and deserves consideration in any comprehensive study of the size and composition of our merchant fleet—and in your words, Mr. Chairman, "as it is, and as it ought to be, for defense and commerce requirements * * *"

Senator POTTER. Mr. Bailey, our ore fleet today, are most of them what we call institutional carriers, or are they separate companies?

Mr. BAILEY. No, the ore-carrying United States flag fleet belongs largely to the steel industry, and, as I say, I believe there are only about 10 of the sizable ships of that character and, of course, it has to be handled in sizable ships. It is not a commodity that can be handled

in parcel lots or in smaller vessels. The 10 ships that presently exist, under the American flag, are just a drop in the bucket as to what we see as the potential problem here, and how that will be dealt with.

Ships are being built abroad for foreign registry, largely with American capital, as I understand it. Whether that is going to be contracted out, or whether there will be foreign carriers making delivery of these, is in the evolutionary stage, but certainly the question of American-flag participation in bringing in iron ore to maintain the supply for our steel industry, which is the very foundation of national defense, is something which requires the consideration of this committee.

### COMPOSITION OF THE MERCHANT MARINE

The general composition of our merchant fleet, that is, size of unit, type, speed, and characteristics, has been touched upon in general in the subdivision subjects.

Obviously, the characteristics of vessels for the different types of service will vary widely. The passenger ships for the tropical trade must be of a very different type than the ships for the cold-weather trade, and there are many variations.

As to passenger ships, these in turn will vary according to the trade to be served and the area of operation.

The Defense Department states that the desired troop transport should have the general characteristics of the P–2 class, with 500 cabin spaces; 4,000 troop spaces, and 250 litter spaces. The minimum speed desirable for military purposes is stated as 22 knots sustained speed, or greater.

We have very few of those in our present fleet, and I think the Defense Department considers certain of our vessels to a lower figure.

Senator POTTER. To meet the criteria the Department of Defense has established here for passenger vessels, how would that serve for commercial use of the passenger ship? Is the speed important? Is that size of ship a desirable ship? Or, would it depend a good deal, as you said before, upon the trade?

Mr. BAILEY. It would depend upon the individual trade.

As I will say in a moment here, when you take the passenger ship you must consider her trade. Is it a cold weather trade or a tropical trade? What is the volume of business moving? How much business can you reasonably expect to get versus your competition? How frequently must you sail? What schedules must you maintain? In many of the shorter trade routes you have to sail in the evening and arrive in the morning. You have to schedule speed that will fit that requirement. Obviously, 22 knots is fast for many of the trades, and a substantial part of the 22 knots will have to be for national-defense features, as I see it. The ships could be operated at a lesser speed, but they should have the speed potential that is required.

I think all of those things can be blended into a design that will fit both requirements without any serious impact upon one another, if there is a willingness to do it, and a desire to do it, and we start from scratch. It will not be done if you design a passenger ship or a commercial ship and superimpose the design features on it. They just do not fit together. It has to be done from the beginning.

Senator POTTER. I do not know whether you heard the testimony that was presented here before, and the observations that I

have constantly made on the construction of our Mariners. Apparently there was little consideration given, or little advice sought from the industry itself as to the commercial use of these ships, and it would seem to me that it would be most desirable to establish a closer liaison, or a committee type of arrangement when we enter into a shipbuilding program, to bring about what would probably be a give-and-take affair. Then, when we build a ship, we will bring in as many of the military requirements as we can, but, at the same time, make sure that it has the commercial usage so that it can be used commercially.

Mr. BAILEY. I think that is perfectly true, Mr. Chairman. If you read the hearings on the Mariner programs, you will find almost nothing about the commercial aspects.

I do not think there is any doubt that the Mariners were built and designed for national defense. It was a belief of the designers that they would be adaptable to commercial service. I think they had many conversations and conferences with the private operators, but in the last analysis the features that went into the ships were features for national defense.

I know there are relatively few trade routes that will support a vessel of that character. You cannot run an expensive, speedy vessel over a route, unless you have high-grade merchandise which pays a relatively high freight rate to sustain it. There are not enough trade routes in the world today, certainly not enough American trade routes, where the volume of high-grade merchandise carrying a high freight rate is sufficient to maintain those vessels. There may be some, but we in the industry, and the people in the industry that I have talked with, do not see where there is a sufficient number to absorb a substantial number of Mariner vessels. They are national-defense vessels.

Now, I think what really happened is what happened before World War II. Maritime designed a C–1, C–2, and C–3, and the war came along and those ships were extremely valuable. They were really lifesavers. It was found that the type they had designed did fit into commercial operation. Generally speaking, in many trade routes, there were modifications required, but from the three types of ships it was possible to get one that worked reasonably well in all of the trades.

But, we now have a vessel which is of a better class and has more speed than any of those.

Senator POTTER. And, is a more costly vessel to operate.

Mr. BAILEY. Much more costly to operate.

Senator POTTER. The big danger, as I see it, is when you enter into a big shipbuilding program, and do not adequately consider the commercial needs. You then have these ships on hand, and you do not have buyers for those ships. Certainly you are going to be very reluctant to put those ships in a laidup reserve fleet. It would be a great temptation for Government operation.

Mr. BAILEY. That is right, a very dangerous situation is involved there.

As far as these ships were concerned, I think the defense designers thought that maybe the commercial interests had not stepped their ideas up as fast as they were going to. They felt that when we designed the C–2 and C–3, that the speed was a little high at that

time. Most of the people did not feel we were ready yet in commercial operation for a ship of that size, and that we did not have enough routes that generated that type of cargo to sustain that number of vessels. I think that is our problem today.

But, to go back to your original suggestion, I think the defense designers and the commercial designers have to sit down together in the first instance, when the first line is drawn on the paper, and start blending these things together. There will be a great many features not needed for defense purposes, and the Government must pay for those, or have them available, or the potentialities for including them must be made available in the design. That can always be done, so that it is easy enough to adapt them to that type of operation, but unless they can compete commercially against their foreign competition, then the American operators will not be able to keep them in active service with their trained crews and ready availability. That will be the problem.

Senator POTTER. Is it true that after you reach a certain point of speed on the vessels, that to gain extra knots of speed your operating cost goes up tremendously?

Mr. BAILEY. Yes, it does, sir. You are driving a vessel through the water, and your horsepower curve will go up very sharply after you pass a certain point. Of course the cost is in proportion to the power which you have to develop in order to drive that vessel through the water. It sometimes almost goes straight up, after you get to a certain point. The increase in power necessary to drive the object through the water is very, very great. A lot has been done by recent engineering, so that we can now reach these higher speeds without the drag that we used to have and the difficulty we used to have, both in the machinery and the hull design.

We can get the higher speeds more economically than we used to, but there still comes a point when the curve turns up very sharply.

Mr. DREWRY. Mr. Bailey, I believe you have had considerable experience in the handling of merchant ships during a worldwide war. Would it be fair to say that the designing of merchant ships to suit the particular trades, if the merchant marine as a whole were composed of vessels so designed, that that would enhance its utility in time of worldwide war, from a defense standpoint?

Mr. BAILEY. You mean the cargo handling?

Mr. DREWRY. Not necessarily cargo handling. Take a trade route where shallower-draft vessels would be needed. Then, vessels at a certain speed could best serve that route. In time of worldwide war, would it be to the advantage of the defense to have vessels which were specifically suited for certain areas of the world—since you do not know where you are going to fight a war, anyway?

Mr. BAILEY. That would be our difficulty. We would not know which area to design the vessels for. But, going back to the generalities of that, Mr. Drewry, my experience was confined to the southwest Pacific, and in that area we found use for every kind of a vessel. The War Shipping Administration could not produce anything that floated that the military did not have some use for.

Senator POTTER. In other words, if we have a worldwide commercial fleet, the chances are that in a worldwide conflict the conditions which are desirable for commercial operation also make it desirable from a military standpoint?

Mr. BAILEY. Senator, I think it is just as likely to come out of that evolutionary process as it is trying to forecast the possible area and the possible conditions, because we just could not produce anything that floated that the military did not have an urgent need for.

You get into areas where there are shallow harbors, where there are many island areas, and you need small boats, where the turning basins are small, where the depth of water is small. In military operations there just seems to be a need for every kind. We even took barges off the Mississippi River and reinforced them and sent them out there as floating storehouses because we did not have the warehouses.

But the widest variation in size, speed, and draft would have great facility, or a very usable facility, in the event of an emergency such as we experience in that area.

Mr. DREWRY. For instance, in the Southwest Pacific during the war you had a few ships that were designed for that trade that had the speed and the cruising range to get there in a hurry, which in a sense gave you a nucleus fleet for that area while you were trying to use these other ships that were not well suited.

The same would be true in the case of an outbreak, say, in any other part of the world, where the shallow-draft vessels would be needed; and, if you had vessels designed for that trade, they would be immediately available and would be the first vessels to be used for that trade.

Mr. BAILEY. In the trade it will largely depend upon the size and draft of the vessel. That will be the main factor.

The other factors you can deal with generally, or live with, as the boys say, but the size of the vessel, the draft, and the speed are the factors. Now, if we have a wide variation in speed and draft and size, then we can adapt those vessels to the particular areas where they are needed.

Senator POTTER. I can see where there would be a requirement for speed in military use as well as commercially. For certain types of cargo speed is not so essential. It is not as essential in commercial trade as it would be in the military service, where speed might determine, if you are in a convoy, what your convoy must be geared to. All that would be important in time of war, where it would not necessarily be so important in commercial use.

As far as the size of the ship and the draft of the ship, it seems to me that your commercial trade in itself would pretty well determine that.

Mr. BAILEY. Our difficulty primarily on speed was the question of convoy or nonconvoy. We could get much more utilization out of vessels if they could run free of convoy, and that depended upon the hazards and the risks and the enemy's position in the area.

In the fleet it is always desirable and necessary to have a few fast vessels so that, if some emergency requirement comes up, you can take care of that with these speedy vessels outside of your convoy requirements.

It seems to me that the fleet, if it is designed for commercial purposes, there will be various sizes of vessels for Caribbean trade, for Alaskan trade, and all others, and from that fleet you can pick the size and draft of vessels you will need, and there will be some augmentation of purely military vessels to take care of the emergency requirements for you. That is what I see.

36174—53—pt. 1——24

Now, as to composition for dry-cargo vessels, these must vary with the trade and type of cargo to be handled as well as maximum draft suitable for the ports to be served.

Certain types have been found adaptable for many trades, such as the C2's and C3's of Maritime Commission design, but many variations exist in particular trades.

In existing uncertainties it would serve no useful purpose to try to project the individual types comprising the composite. In the trades where high value manufactures more in volume, speed, frequency of sailings, and dependable delivery dates are important; in the mixed trades relatively so; in long-voyage trades, where the vessels are at sea a greater proportion of time, speed can be more effectively utilized. In short-voyage trades where evening sailing and morning arrival are desirable, speed must be tailored accordingly.

In certain trades speeds essential to employment of minimum number of units while offering necessary frequency must be provided. Certain trades offer larger or lesser quantities of refrigerated cargo, of bulk liquids which must be carried in deep tanks, of heavy lifts requiring heavier gear, of relative cubic and dead-weight cargo, and of draft to suit the ports of call.

These must all be met and considered in the light of then existing circumstances and a possible change in the commerce pattern.

As we have heretofore suggested, there appears no reason, however, why defense and commerce features—even those peculiar to a given trade—may not be embodied in a single unit without undue hardship to either if design collaboration begins at the inception and continues with a reasonable degree of flexibility.

That concludes my statement, Mr. Chairman.

Senator POTTER. Do you have any questions, Mr. Drewry?

Mr. DREWRY. I do not believe I have, Mr. Chairman.

Senator POTTER. Mr. Bailey, I wish to thank you kindly for giving us the benefit of your vast knowledge on this problem.

Again, I regret that I was not here when you began, but I want to say on behalf of myself and, I know, all who have had the pleasure of being associated with you, that we wish you much success and happiness in your venture, and I know that the federation has enjoyed your service and has prospered greatly by it.

Mr. BAILEY. You are very kind, sir. What I have done has been a pleasure, and it has always been a particular pleasure to appear before this committee.

Thank you.

Senator POTTER. Thank you.

The committee will now be in recess.

(Whereupon, at 12:35 p. m., the committee recessed to reconvene at 10 a. m.; Friday, July 10, 1953.)

# MERCHANT MARINE STUDIES

**FRIDAY, JULY 10, 1953**

UNITED STATES SENATE,
SPECIAL SUBCOMMITTEE ON MARITIME SUBSIDIES OF THE
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
*Washington, D. C.*

The subcommittee met, pursuant to call, in room G–16, Capitol, at 10:10 a. m., Mr. John M. Drewry, special counsel to the subcommittee, presiding.

Mr. DREWRY. The meeting will come to order. Senator Potter announced that he was unable to be here because of an urgent commitment at another subcommittee.

Unfortunately, Senator Magnuson and Senator Butler are in the same position, since they have both been previously committed to other meetings.

Because of the number of the witnesses we have in the remaining time during these hearings, and the shortness of that time, Senator Potter asked me if I would take over the conduct of the meeting this morning.

He expresses his regrets that he is unable to be here.

Our first witness today will be representatives of the tramp-ship operators, with Mr. F. Riker Clark, president of the American-Foreign Steamship Co., representing the American Tramp Shipowners Association, Inc., accompanied by Mr. Sylvester Rothchild, vice president of the American Tramp Shipowners Association, and Mr. Marvin Coles, counsel for the American Tramp Shipowners Association.

Mr. Clark, we are glad to have you here. You may proceed.

## STATEMENT OF F. RIKER CLARK, PRESIDENT, AMERICAN TRAMP SHIPOWNERS ASSOCIATION, INC.

Mr. CLARK. My name is F. Riker Clark. I appear today on behalf of the American Tramp Shipowners Association, Inc., sometimes referred to as the Committee for the Promotion of Tramp Shipping, Inc. Our association is composed of companies owning tramp steamers. I am also president of the American-Foreign Steamship Corp., which company owns and operates four American-flag ships.

On behalf of the association, I appear today to present our views concerning the importance of the tramp segment of our merchant marine to our national welfare, and to urge upon the subcommittee that the necessary steps be taken to insure the continued maintenance and development of a balanced American-flag merchant marine, including an American-flag tramp fleet.

May I explain at the beginning what is meant by "tramp" shipping, and then go on to describe the importance of our tramp fleet to our

national welfare and the necessity of maintaining a balanced American-flag merchant marine. Two principal types of shipping operations exist in the foreign trade. The first class of ships is generally referred to as liners, while vessels in the second category are generally called tramps. One feature that distinguishes liners from tramp operations is that the liner vessel operates on a regular route and on a regular schedule of sailings, whereas the tramp vessel has no fixed route and no regularly scheduled time of sailings, but carries bulk cargoes from wherever they may be offered to wherever they are destined.

The principal difference between liner and tramp ships is in the type of cargoes which they carry. Liner vessels generally carry package goods consisting of various commodities, ranging from canned goods to and including all the articles manufactured in the United States. On the other hand, tramp ships, for the most part, carry bulk goods in a sufficient quantity to warrant a full ship on a particular voyage. As a general rule, tramp cargoes are commodities in bulk, which have a relatively low value in relation to that bulk, not requiring speed or regularity of delivery, and generally available in full cargo lots. In the majority of cases, the tramp ship carries a full cargo of a single commodity to a single consignee. The great advantage of a tramp operation is that for bulk commodities, it is the cheapest and most economical form of transportation available.

I think I can better explain the nature of tramp shipping operations to you by noting the type of cargoes which are generally carried in tramp ships. These cargoes principally include grain, coal, ores, sugar, fertilizer, timber products, sulfur nitrates, steel products and scrap, cement, rock salt, and other minerals.

There is one other distinction between liner and tramp operations which should be mentioned. Liners usually operate under a conference-rate system with minimum freight rates established for the carriage of particular types of cargo between ports. Usually the conference-rate system protects the high-cost American operators against cutthroat competition from low operating-cost foreign competitors.

For tramp ships and tramp cargoes, unfortunately, there are no conferences and no fixed rate system, as the provisions of the Shipping Act of 1916, which authorized conferences, are limited to liner-type vessels. Whenever a bulk cargo is available, the owners of the various tramp ships in position to handle it bid competitively for its carriage without any floor. One owner may bid to carry the cargo at $10 a ton; a second may bid $9.50; a third may be low bidder at $9 a ton and get the cargo. In other words, while liner rates are basically fixed, tramp rates are set in open market in which cost plays an important part. Cost of operation means basically the same thing to the tramp owner as to the liner owner under the American flag, since both operate under the same ship union agreements.

Perhaps I can best describe the function of the tramp ships in our overall shipping picture by comparing shipping operations to those of railroads and trucks. All of us know that the railroads use passenger cars, boxcars for general freight, tank cars for petroleum and liquid products and coal, ore and grain cars to carry bulk products. Com-

paring the railroad to the merchant marine, we find that we have passenger vessels, liner-type ships to handle the general cargo, tankers to handle the petroleum and other bulk products. Conceivably, you could run a railroad without your bulk cars for coal, ore and grain by piling these into boxcars, but in would be an exceedingly inefficient operation.

In the same way, conceivably you could run a merchant marine just with general cargo ships, but this would be an equally uneconomical operation. What I wish to point out is that the general needs of our ocean commerce, in war and in peacetime, require vessels for the carriage of bulk commodities, as well as the ships which we need for the liner-type general cargo commodities.

May I point out that over one-third of the total export and import cargo tonnage of the United States is of the tramp-type commodities and carried on tramp ships. From year to year, these cargoes move and will continue to move in tramp-type ships, because that is the cheapest form of transportation. Prior to World War II, over one-third of our cargoes also moved in tramp vessels; but, unfortunately, practically none of this one-third of our commerce went into American tramp ships.

Mr. DREWRY. That one-third figure has held the same since——

Mr. CLARK. No. I was just going to bring that out in the cross questioning, that it is considerably lower than the actual figures, because the figures we got from the Commerce Department we thought included tank steamers, which it does not. This figure is relatively around 45 percent. It has been much higher than that, in the Marshall plan and ECA efforts which we had.

In some cases, it got to 70 percent.

Mr. DREWRY. That is as of today?

Mr. CLARK. Currently, I think it would be about 40 percent, where I am quoting one-third.

Mr. DREWRY. The Commerce Department witness brought out, I believe, that about 33 percent of our foreign commerce was carried in tramp-type ships as late as 1937, with none of it being carried by American-flag tramps.

Mr. CLARK. Absolutely none.

Mr. DREWRY. Did that 33 percent include tramp tank steamers as well, or just dry cargo?

Mr. CLARK. The Department of Commerce statistics are purely dry cargo. Everything I am giving you now is dry cargo, plus the fact that I think my percentage is about 10 percent. I tried to consider that there was some tanker bulk cargo in that, which there is not. So this figure of one-third should represent about 45 percent.

During the Marshall plan, we carried up to 75 percent of all the commerce, and the ECA programs, too.

It was all carried in foreign-flag tramps, because there were no American ships in the tramp trade. Today we have an American-flag tramp merchant marine, but it will rapidly be forced from the seas by competing with foreign tramp ships having a cost of operation about half as great as for the same type American vessel.

That is a very modest figure because we have gone over the recent figures which were published by the American Merchant Marine Institute.

This feeling of 50 percent as to cost is really 75 percent. We are paying, in other words, 75 percent more to operate an American Liberty than the British or Scandinavians, or in some cases, the Greeks. In other words, we can put this on the record, if you wish to cross-examine on it.

Mr. DREWRY. I think it would be useful to insert it right at this point, Mr. Clark.

(See letter, p. 367.)

Mr. DREWRY. I was going to ask if that 50 percent was some sort of a weighted average you have worked out, because there is a very widespread in operating costs, particularly between wages, in some countries.

Mr. CLARK. Our basic wage is something I can give you. I can give it to you exactly, including the new increase that we are paying, or will pay. On a Liberty-type vessel, it is $14,484. Our overtime is approximately 42 to 50 percent, and will equal somewhere in the neighborhood of $6,000. We pay a war-area bonus, which will amount to about $800. We have a pension and welfare fund which amounts to $570. We have an employment payroll tax of 4½ percent, which is $961. Vacation bonus expenses, $780. It makes a total of $23,681, which is fixed.

Mr. DREWRY. What period of time?

Mr. CLARK. Per month, for 30 days. Against this figure, the American Merchant Marine Institute reports, as of January 1953, that the Panamanian flag, with German crews, on the same basis of the figures I have represented to you, the crew wage would only be $4,400. The Panamanian flag, with Norwegian crew, would be $5,200; with Greek crew, $6,000; the British-flag ships, $5,250; the Italian-flag ships, $4,250, and the Norwegian ships, $5,100; the Greek ships, $6,500. That is what they call the take-home pay, the same as I have just quoted against the American payroll.

It makes, roughly, a difference of $18,000 that we are paying, in excess of foreign tonnage, just on the crew alone.

Mr. DREWRY. That is crew wages?

Mr. CLARK. Yes.

Mr. DREWRY. And accompanying deductions and insurance, and things of that sort?

(The material referred to is as follows:)

AMERICAN TRAMP SHIPOWNERS ASSOCIATION, INC.,
*New York, N. Y., August 3, 1953.*

Mr. JOHN M. DREWRY,
*Counsel, Subcommittee on Maritime Subsidies,*
*Senate Office Building, Washington 25, D. C.*

DEAR MR. DREWRY: I enclose herewith list of the membership of our association which you requested when I appeared before the Senate Subcommittee on Maritime Subsidies.

The following is in answer to your request on the comparative manning scale of Liberty ships under American and foreign flags:

| | Deck | Engine | Steward | Total |
|---|---|---|---|---|
| American | 16 | 13 | 8 | 37 |
| British | 16 | 13 | 7 | 36 |
| Norwegian | 17 | 14 | 8 | 39 |
| Italian | 18 | 14 | 5 | 37 |
| Greek | 16 | 13 | 6 | 35 |

Figures given on American-flag vessels represent minimum requirements, however, some vessels carry one extra crew member in deck department and a purser bringing manning scale to 39 which would increase the cost of wages.

The comparative cost of wages, overtime, and other mandatory fringe benefits to crews of American and foreign vessels are:

| | Basic wages | Overtime | Other mandatory benefits | Approximate total |
|---|---|---|---|---|
| American | $14,485 | $6,083 | $3,113 | $23,681 |
| British | $4,800 to $5,250 | 600 | | 5,600 |
| Norwegian | $4,750 to $5,100 | 600 | | 5,600 |
| Italian | $3,750 to $4,250 | 500 | | 4,500 |
| Green | $6,000 to $6,500 | 750 | | 7,000 |

Foreign vessels overtime based on 12 percent of wages, and American vessels overtime is based on 42 percent, and we are also enclosing a detailed breakdown of basic wages and overtime.

If there is any further data that we could assist you with, we would be pleased to have you call on us.

Sincerely yours,

F. RIKER CLARK, *President.*

*Liberty vessels*

| | | |
|---|---|---|
| Wages per month, including master (37 in all) | | $14,484.94 |
| Overtime (approximately 42 percent) | | 6,083.67 |
| Area bonus at $2.50 per day (approximate) | | 800.00 |
| Total | | 21,368.61 |
| Pension and welfare fund | $570.00 | |
| Employers' payroll taxes 4½ percent group payroll (approximate) | 961.59 | |
| Vacation bonus expense: | | |
| Licensed (approximate) | 403.91 | |
| Unlicensed (approximate) | 377.45 | |
| | | 2,312.95 |
| Approximate total cost per month | | 23,681.56 |
| Approximate total cost per day | | 789.39 |

*American Tramp Shipowners Association Inc., New York 4, N. Y.*

| Member | Date of incorporation | Number of vessels |
|---|---|---|
| Actium Shipping Corp., 17 State St., New York, N. Y. | December 1948 | 1 |
| Advance Steamship Corp., 120 Wall St., New York, N. Y. | January 1951 | 1 |
| Alliance Steamship Corp., 120 Wall St., New York, N. Y. | do | 1 |
| American Foreign Steamship Corp., 80 Broad St., New York, N. Y. | April 1932 | 4 |
| American Merchant Marine Steamship Corp., 17 Battery Pl., New York, N. Y. | 1945 | 1 |
| American Union Transport, Inc., 17 Battery Pl., New York, N. Y. | August 1940 | 2 |
| American Waterways Corp., 17 State St., New York, N. Y. | January 1949 | 2 |
| Amerocean Steamship Co., Inc., 149 Broadway, New York, N. Y. | January 1951 | 2 |
| Amherst Steamship Corp., 120 Wall St., New York, N. Y. | do | 1 |
| Anchor Steamship Corp., 120 Wall St., New York, N. Y. | July 1949 | 1 |
| Arc Steamship Corp., 44 Whitehall St., New York, N. Y. | December 1950 | 1 |
| Arrow Steamship Co., Inc., 2 Broadway, New York, N. Y. | January 1947 | 2 |
| Astra Steamship Corp., 120 Wall St., New York, N. Y. | January 1949 | 1 |
| Atlantic Cargo Carriers Corp., 80 Broad St., New York, N. Y. | December 1948 | 1 |
| Bildberg Rothchild Co., Inc., 80 Broad St., New York, N. Y. | May 1920 | 2 |
| Boise-Griffin Agencies Corp., 90 Broad St., New York, N. Y. | December 1950 | 1 |
| Bournemouth Steamship Corp., 80 Broad St., New York, N. Y. | November 1951 | 1 |
| A. L. Burbank & Co., Ltd., 120 Wall St., New York, N. Y. | October 1928 | 1 |
| Contiship Corp., 2 Broadway, New York, N. Y. | September 1947 | 1 |
| Coral Steamship Corp., 80 Broad St., New York, N. Y. | April 1947 | 1 |
| Doric Shipping & Trading Corp., 11 Broadway, New York, N. Y. | Nov. 9, 1951 | 1 |
| Drytrans, Inc., 25 Broadway, New York, N. Y. | February 1948 | 4 |
| Eastern Seaways Corp., 44 Whitehall St., New York, N. Y. | November 1950 | 2 |
| East Harbor Trading Corp., 80 Broad St., New York, N. Y. | Mar. 7, 1947 | 1 |
| Eastport Steamship Corp., 80 Broad St., New York, N. Y. | June 1946 | 1 |
| Elam Shipping Corp., 44 Whitehall St., New York, N. Y. | January 1951 | 1 |
| Excelsior Steamship Corp., 80 Broad Street, New York, N. Y. | November 1950 | 1 |
| Firth Steamship Corp., 80 Broad St., New York, N. Y. | December 1948 | 2 |
| Fribourg Trading Co., Inc., 2 Broadway, New York, N. Y. | July 1947 | 1 |
| General Steamship Co., Ltd., 432 California St., San Francisco, Calif. | January 1920 | 1 |
| Global Navigation Co., Inc., 52 Broadway, New York, N. Y. | February 1949 | 1 |
| Gotham Navigation Corp., 80 Broad St., New York, N. Y. | January 1951 | 1 |
| Greenwave Steamship Corp., 80 Broad St., New York, N. Y. | August 1950 | 1 |
| Kea Steamship Corp., 17 State St., New York, N. Y. | June 1949 | 1 |
| Manning Bros., Inc., 80 Broad St., New York, N. Y. | November 1947 | 1 |
| Martis Steamship Corp., 44 Whitehall St., New York, N. Y. | February 1951 | 1 |
| Merchants Steamship Corp., 80 Broad St., New York, N. Y. | May 1950 | 2 |
| Metro Steamship Corp., 44 Whitehall St., New York, N. Y. | December 1950 | 2 |
| National Waterways Corp., 17 State St., New York, N. Y. | April 1952 | 1 |
| Northeastern Steamship Corp., 80 Broad St., New York, N. Y. | March 1947 | 1 |
| North Seas Navigation Corp., 80 Broad St., New York, N. Y. | January 1951 | 1 |
| Ocean Carriers, Inc., 17 Battery Pl., New York, N. Y. | 1951 | 1 |
| Ocean Transportation Co., Inc., 61 Broadway, New York, N. Y. | January 1951 | 2 |
| Pacific Cargo Carriers Corp., 80 Broad St., New York, N. Y. | December 1950 | 2 |
| Pacific Waterways Corp., 90 Broad St., New York, N. Y. | January 1950 | 1 |
| Pan Cargo Shipping Corp., 17 State St., New York, N. Y. | December 1950 | 1 |
| Pan Oceanic Navigation Corp., 270 Park Ave., New York, N. Y. | December 1951 | 1 |
| Pan Oceanic Steamship Corp., 80 Broad St., New York, N. Y. | October 1948 | 1 |
| Pantransit Steamship Corp., 80 Broad St., New York, N. Y. | August 1950 | 1 |
| Paroh Steamship Corp., 80 Broad St., New York, N. Y. | December 1950 | 1 |
| Pegor Steamship Corp., 80 Broad St., New York, N. Y. | November 1950 | 1 |
| Peninsular Steamship Corp., 80 Broad St., New York, N. Y. | January 1951 | 1 |
| Phoenix Steamship Corp., 80 Broad St., New York, N. Y. | June 1947 | 1 |
| Polarus Steamship Co., Inc., 30 Broad St., New York, N. Y. | January 1923 | |
| Seafarer Steamship Corp., 80 Broad St., New York, N. Y. | November 1948 | 1 |
| Seatraders, Inc., 17 Battery Pl., New York, N. Y. | 1949 | 1 |
| Sea Transport Corp., 80 Broad St., New York, N. Y. | January 1951 | 1 |
| Shepard Steamship Co., 21 West St., New York, N. Y. | 1929 | 1 |
| Southatlantic Navigation Corp., 80 Broad St., New York, N. Y. | January 1951 | 1 |
| Southern Cargo Carriers Corp., 80 Broad St., New York, N. Y. | December 1950 | 1 |
| States Cargo Carriers Corp., 80 Broad St., New York, N. Y. | April 1949 | 1 |
| Stevenson & Co., Inc. (T. J.), 80 Broad St., New York, N. Y. | 1935 | 2 |
| Stratford Steamship Corp., 80 Broad St., New York, N. Y. | November 1951 | 1 |
| Tak Shipping Corp., 90 Broad St., New York, N. Y. | January 1950 | 1 |
| Terrace Navigation Corp., 17 State St., New York, N. Y. | January 1951 | 1 |
| Transfuel Corp., 25 Broadway, New York, N. Y. | January 1948 | 1 |
| Universal Cargo Carriers Corp., 80 Broad St., New York, N. Y. | February 1949 | 1 |
| Veritas Steamship Corp., 44 Whitehall St., New York, N. Y. | December 1950 | 1 |
| Victory Carriers, Inc., 655 Madison Ave., New York, N. Y. | December 1948 | 2 |
| Wessel Duval & Co., Inc., 67 Broad St., New York, N. Y. | December 1931 | 1 |
| Total | | 88 |

## STATEMENT OF SYLVESTER E. ROTHCHILD, VICE PRESIDENT, AMERICAN TRAMP SHIPOWNERS ASSOCIATION, INC.

Mr. ROTHCHILD. No; just crew. These figures are purely based on crew wages, plus overtime.

Mr. DREWRY. Do any of these foreign seamen receive, in addition to cash wages, any other valuable benefits of any kind that should merit comparison?

Mr. CLARK. No. Every time I have quoted these basic wages I was taking what they call their benefits also, because in each case the basic wage was approximately $400 to $600 less than what I am using as their monthly pay. That $600 would go to what you and I might consider the vacation pay, the bonus-area pay, and so forth.

There is nothing on top of this, because I have already included that extra $600 or $700 per month on top of their basic wage.

Mr. DREWRY. So, these figures are fully comparable?

Mr. CLARK. Yes, to what we are quoting here as the American take-home pay. We are running $600 on the foreign costs, which represents their fringe payments, if you wish to call it that.

There are other things, of course, if you wish to go into them. I saw some of your testimony here. There is quite a disparity as to indemnity insurances.

There is another thing I do not think anybody has brought out at any of the hearings: the fact that the personnel-management overhead, as against the foreign personnel management, would exceed possibly 400 or 500 percent on the American standards of clerical or executive abilities. I think that is one of the big things that one must consider. If it takes them $150 per day, I think we could truly say it might cost the foreigner only $30. On a profit basis, we have to worry about that extreme overhead that we have in our office personnel.

Mr. DREWRY. Mr. Clark, what type of vessels do you operate? Are they mostly Liberties?

Mr. CLARK. This group that I am representing is only in relation to their Liberties. There are possibly 1 or 2 of our members that have a few Victories. But we have not gotten them included in our organization. We wanted to make it a purely Liberty approach, so that we did not confuse anybody with our types of vessels.

I am talking now of really 100 Liberties, which are full-fledged members of this organization. There are about 20 more owned by the same companies, but they are out on long-term bareboat charters. So, therefore, I am not including those, although they are representative of our organization.

The figures that I have given you, as against the foreigners, are recognized as the American Liberty-type vessel. We have sold many to these governments. It was based on the same type. In other words, an American ex-Liberty was sold to a foreign country, and these are the wage scales that I am talking about for a foreign country.

Mr. DREWRY. I do not know that you have mentioned it, but how many people are required to man a Liberty in normal operations?

Mr. CLARK. Thirty-eight to forty, depending on whether you put a purser on.

Mr. DREWRY. That includes all classifications?

Mr. CLARK. That would be from the mess boy all the way up to the captain.

Mr. DREWRY. In the comparable competing foreign tramps, are the manning scales the same?

Mr. CLARK. I will let Mr. Rothchild answer that because I am not so familiar with foreign operations.

Mr. ROTHCHILD. I am not able to give you a uniform manning scale for foreign ships. I know they do not have the ratings in the same detail that we do on some ships. I know they would carry not over 30 men on a Liberty ship. In other words, they do not have union agreements, in many cases, to the same extent that we do. Panama has no union agreements, for instance.

Mr. DREWRY. Are the Panamanian tramps organized at all?

Mr. ROTHCHILD. No.

Mr. DREWRY. The labor organization, I mean.

Mr. ROTHCHILD. They have no labor organization. It is an individual agreement between the respective owners. The reason I cannot give you the breakdown is because they are different between the British, the Swedish, the Norwegians, and so forth, but they are not broken down to the same extent that we have with the 38 men.

Mr. DREWRY. Would all British tramps have their classifications approximately the same?

Mr. ROTHCHILD. They would.

Mr. DREWRY. If you could get it, I think it might be useful for the record if we could show the manning scale of an American tramp ship as against those of the principal foreign tramp companies.

Mr. ROTHCHILD. We will get that for you.

(See letter, p. 367.)

Mr. ROTHCHILD. These are just totals, Mr. Drewry. These figures have been given as totals. It was the idea to bring out the differential.

Mr. DREWRY. I understand that. I thought it might be interesting if we could have that in the record.

Mr. CLARK. If this is permitted, we will again be placed in the position where over one-third of our Nation's export and import tonnage carried in tramp vessels will move in foreign-flag ships.

May I also point out the vital necessity of these bulk-type ships in time of war. During World War II, the Liberty ship carried a major portion of all the movements required to supply our Army's and our allies' needs overseas. Similarly, the bulk carrier has been in steady need during the entire period of the Korean War. In the event of another war, we will have to import huge quantities of ores and other mineral products and transport vast quantities of basic food-stuffs, armaments, and fuels to our own forces and our allies abroad. In short, our Nation will require, for any new war, a huge fleet of bulk-type vessels. Experience has shown that in time of war we must rely largely on our own ships rather than depending on those of our allies. And our experience during World War II showed the value of having such a fleet in readiness.

Mr. DREWRY. Would you prefer to complete your prepared statement before further questioning?

Mr. CLARK. It does not matter.

Mr. DREWRY. Right at that point, I do not know whether you were here when Admiral Wilson testified before us. He stated that from the standpoint of our peacetime active fleet for potential defense purposes, it was desirable that there be a certain number—he did not

say how many—tramp-type vessels in operation, stating that for the military itself there would be a need for the carriage of military cargo for that type of vessel.

However, he stated, also very emphatically, when he was speaking of tramp-type vessels, that he was speaking of vessels of 18-or-better-knot speed, and of a thoroughly modern design, that he was not speaking of the Liberty ships.

Recognizing the contribution that the tramp-type ship and the Liberty ship, which was, of course, the backbone of our fleet in World War II, recognizing its contribution there in time of all-out war, what is your thought about where you can fit into Admiral Wilson's views as to what we ought to have at the present time?

Mr. CLARK. In our closing statement, we speak of that. I will read it.

Equal in importance to the recognition that 200 tramp vessels are essential to a balanced merchant marine is the urgency for the replacement of our present tramp fleet, which will become obsolescent en bloc in approximately 5 years. The program we have advanced for operating subsidies in tramp operations would also include the same requirements as in the present law for replacement of our ships by new tonnage. Our program contemplates an American bulk cargo carrier, motorship or turbine, of about 12,000 tons dead weight and about 14 knots speed, light draft, large cruising radius, maximum two decks, and a capacity of about 60 foot to the ton. Such a ship will be able to stand up competitively to the newest types being built abroad for the tramp trades of tomorrow.

We want to really dwell on that. Mr. Rothchild has made quite an elaborate study of the foreign type of so-called commercial tramp vessels. I think he will be able to tell you what our more intimate views are about it.

Mr. DREWRY. We will be glad to hear from Mr. Rothchild.

Mr. ROTHCHILD. As I read Admiral Wilson's statement, I think he was referring more to the type vessel required for military purposes. He did not assume to say that 18 knots would be needed for a tramp ship. He brought out here that dry-cargo ships, for military purposes, should have a speed of 18 knots.

I think his whole approach to this thing was the military approach rather than the commercial approach.

Mr. DREWRY. That is correct, sir.

Mr. ROTHCHILD. To fit that in, that is what you meant?

Mr. DREWRY. Yes, sir.

Mr. ROTHCHILD. From a commercial point of view, as we have to survive commercially, we have become aware of the building program of replacement tramp vessels abroad today.

It has appeared in the Journal of Commerce, for example, under the date of June 30, that United State capital is sparking overseas shipyards, itemizing the number of companies that are building ships abroad. So we can see from it the type of tramp or bulk cargo vessel that is being built abroad today.

That vessel appears to be a vessel of about 11,000 to 12,000 tons deadweight, with light draft, of the type that Mr. Clark has described in the last page of his statement, with about 14-knot speed, maximum two decks.

His proposal is that for an American operator to compete, ship for ship, we would have to have a replacement program here that would give us that type of ship commercially. In other words, what would be added on to that ship for military purposes is a defense item that you would not want to hear from us.

I have here a proposal from a representative of a Japanese shipyard today, in which he describes the offer that he can make of a modern bulk cargo-type ship, in which he runs down the line to say that it would be a ship of 10,000-ton dead weight, of 14 knots, open-shelter deck, 540,000 cubic feet, 26-foot draft.

I may tell you by comparison that on the draft there that would be about 2 feet less than a Liberty ship.

Mr. DREWRY. What is the draft of a Liberty ?

Mr. ROTHCHILD. Almost 28 feet. That would fall in line with Admiral Wilson's statement as to why he needs a light-draft ship to go onto beachheads. The Liberty ship was apparently designed to be a little too deep to do anything except to go into anything but base ports.

Similarly, a ship of 540,000 cubic, against 475,000 cubic for a Liberty ship, with 14 knots, which would be a competitive speed for the tramp vessel of tommorrow, as compared to about 10½-knot speed for the Liberty ship today. Does that answer your question?

Mr. DREWRY. I think it does.

Mr. ROTHCHILD. You know, in a number of these ships, the needs of the military joined with the commercial needs might have something to do with the construction. If it is decided later that extra speed would be required, that would really be a defense item. It is not needed commercially.

Ship for ship, we would have to compete with the type of ship that is being built abroad in England, Germany, and Japan today. It is only a common deduction that we cannot take a 10½-knot ship and compete with a new 14-knot ship, nor can a 475,000 cubic compete with a ship of 540,000 cubic, or a 28-foot draft ship compete with a 26-foot draft.

We want to lay before you the desirable-type ships—I think that is the basis of the hearings—what is needed in the American merchant marine, so that this committee can take cognizance of the new program for tramp ships as well.

Mr. DREWRY. As you say, if added speed were necessary, that would be handled as a defense feature, just as it has been done in other cases, I think, in tankers and passenger ships.

Mr. ROTHCHILD. Yes. There is no reason in the world why a tramp ship could not have 16 knots or any speed, but for commercial purposes no shipowner would consider the value of the extra 2-knot speed for carrying a cargo of coal or grain worth while. That would be too expensive.

Mr. DREWRY. In this new replacement type, do you have any preferences as to whether it is motor driven or turbine?

Mr. ROTHCHILD. You know, that is a question of individual interest by the various owners. Some owners much prefer diesel and some much prefer turbine. I think we have found in this country, with the type of engineers that we have, we do better with turbines over 14 knots.

Mr. DREWRY. Is there a reason for that? They are both pieces of machinery.

Mr. ROTHCHILD. There is a question of vibration, for one thing. I would not call myself a technical man. I know, ever time that I talk with an engineer, I am told about that. All of our high-speed ships that we built, like the C–2's or C–3's, were turbine, where the Scandinavians go in more for diesels.

Mr. DREWRY. They have some very large motorships, too, do they not?

Mr. ROTHCHILD. But they have some very large vibrations, too. They have stationary personnel that can cope with this type of thing much easier than we can in this country. A Norwegian man might stay on his ship for 2 years without leaving it.

Mr. DREWRY. Is it your understanding—we are both nontechnical men—that a diesel is more difficult to handle?

Mr. ROTHCHILD. I think it is. The spare parts are much more complicated. I think it is more difficult.

Mr. CLARK. The American merchant marine had a very good experience with what they call the "Hog Island type." That was a turbine boat. That was built for the First World War. Those boats ran for practically 30 years because they got involved in the Second World War almost to the final period.

We, at that time, owned 4 or 5 of those particular-type boats, and I imagine there were 60 or 70 on the high seas. As Mr. Rothchild has just said, it is a piece of machinery that if a man decides to leave you to go home for a vacation, to stay ashore for a month, it is a very simplified thing, and somebody of a good type of engineer can come aboard and pick right up where he left off. But I am quite sure that a diesel is far more complicated, and you would need a higher type of educated engineer; is that not your opinion?

Mr. ROTHCHILD. They have a long-range training base for their engineers. They put them in the shipyard at the time that the ship is being built. Our type of ship is more accommodated to rotating engineers, just as we do out in Korea. They have the basis of rotating personnel, rather than to have personnel stay on for a long time.

We could not keep an engineer on a ship for 2 years away from home. We must build a type of ship here that is more accommodated to our personnel, I think.

Mr. DREWRY. You do not keep your ship away from home for 2 years, do you?

Mr. ROTHCHILD. We do not keep an American, but a Norwegian ship will many times stay away 2 or 3 years.

Mr. DREWRY. Excuse the diversion.

Mr. CLARK. For some years we have been faced with a rather odd world situation, in which our Nation is half-way between war and peace. It is at such times that our tramp fleet is of particular value to our national welfare. Not only is it of great value in importing and exporting our bulk commodities, but the tramp fleet has been the great reservoir to which the Military Sea Transportation Service has been able to turn for its needs. In time of world war, our liner ships are taken from their routes and put into service where they are most needed. In times of local wars, such as today, these liner ships must be continued on their ordinary routes and are principally available to

serve the military only to the extent that military carriage is required on each particular route. On the other hand, the tramp ship, having no particular route, is free to go anywhere where the demands of our military require. Most important, a tramp ship is available for direct charter to the Military Sea Transportation Service for direct use by that agency whenever its services are required. I think I can sum up that point by saying that at the present time, over 114 American-flag privately owned, and 141 Government-owned tramp-type vessels are under charter to MSTS. In other words, it is the tramp vessel which is furnishing the major part of the excess capacity which is required by our Military Sea Transportation Service during this Korean war period.

It is my understanding that this subcommittee wishes to hear the views of the various segments of the industry concerning the required size and composition of the American merchant marine. I further understand that the legislative suggestions necessary to implement such program will be requested later. May I say now that our association has such a legislative program to implement our views, and we shall be glad to submit this whenever desired. At this time, though, I will limit my thoughts to what we believe to be necessary for the American merchant marine in time of peace and war, with particular reference to the tramp shipping segment of that merchant marine.

What I feel to be most important is that our country have a balanced merchant marine. It seems to me that our national legislative policy for our shipping industry must be to produce that merchant marine which will best serve the peace- and war-time needs of our country. This, in turn, requires that our merchant marine consist of all the various types of ships required in peace and war, and that our policy of governmental assistance not be limited to any particular type of vessel or particular type of vessel operation. I feel that our merchant marine policy must be directed toward assuring that all types of vessels, and the management skills necessary to handle particular types of vessel operations, should be maintained and developed by our national merchant marine policy. Put another way, my basic thought is that our overall national policy must be to maintain and develop a balanced merchant marine consisting of all types of vessels required for our national defense and our peacetime commerce.

Members of our association believe in the subsidy principle which puts American-flag vessels on an operating cost parity with the foreign-flag vessels with which they are required to compete. We feel that the Merchant Marine Act of 1936, which is limited to liner-type vessels, has made many valuable contributions to our merchant marine and national welfare by providing a substantial number of fine liner-type of general-cargo vessels to service our peacetime commerce, and to act as our shipping nucleus for this type vessel in time of war.

We feel that nothing should be done to destroy that which has been accomplished for liner ships over past years. We think, however, that the aid given to liner ships should be made equally available to tramp ships, which have the same problems as the liners of having to compete with vessels of other nations whose operating costs are but a fraction of our own. Our association's basic legislative program is designed to amend the Merchant Marine Act of 1936 so as to permit

subsidy payments to be made to tramp vessels, and to amend the Shipping Act of 1916 so as to permit tramp vessels, as well as liner ships, to engage in rate conferences.

When the Merchant Marine Act of 1936 was enacted, there was no American tramp shipping fleet. As a result, no provision is made in that statute for granting operating differential subsidies to tramp vessels. As a matter of fact, the Merchant Marine Act of 1936, in effect, prevents the granting of subsidies to tramps, for that statute provides that operating differential subsidies can be paid only to vessels operating on "a service, route, or line." As the tramp-type vessel does not operate on a regular-scheduled route or line, the Maritime Administration has held the tramp operator is not eligible to receive an operating subsidy. The basic change which we would recommend in existing legislation to provide for maintaining a bulk-carrying fleet, as well as a liner fleet, would be to amend the language of that statute so as to make eligible for operating subsidies vessels engaged in a "service, including tramp shipping service, route, or line."

A major portion of our commerce, both before and since the recent war, has gone, is going, and will continue to go in tramp-type vessels, because tramp carriers for such commodities are cheaper than any other form of transportation. The only question is whether it will go in American-flag tramps or foreign-flag tramps. Studies which have been made by the Maritime Administration show that it costs approximately twice as much to operate a Liberty ship—that record was about 1948 that we picked that from. That was the Paul Sullivan recommendation of the Maritime Commission. It is the official book.

Mr. DREWRY. You say "official". Was it adopted?

Mr. CLARK. It was adopted by the Maritime—I am sorry. It was all written up, but never adopted.

Studies which have been made by the Maritime Administration show that it costs approximately twice as much to operate a Liberty ship, which is the typical worldwide tramp-type vessel, under the American flag as it does to operate the same vessel in the same service under the British flag. It costs a great deal less to operate vessels under the Norwegian, Greek, Panamanian and other flags than it does to operate the same type American-flag tramp in the same service. As world shipping conditions are rapidly getting back to what we can call normal, competitive conditions, the American-flag tramp ship is being forced from the seas by the competition of the low-cost foreign operators who can give the same service at rates far lower than can the American tramp ship.

Since World War II, the American-flag tramp fleet has been able to develop and operate because of the provisions of the Mutual Security Act and other foreign relief and rehabilitation statutes which have guaranteed 50 percent of cargoes financed by our Government to American-flag tramp ships. While these cargoes have greatly diminished in the past year, the American-flag tramp fleet has, fortunately, been able to find employment for a major part of its vessels with the Military Sea Transportation Service, which gives preference to American-flag ships. But, unfortunately for the American tramp shipowner, the effect of the 50–50 provision has been

substantially reduced by the reduction in mutual-aid cargoes,while the prospects of continuous demand by MSTS for the future do not appear bright.

Accordingly, the American-flag tramp fleet will soon be forced to compete in the open world market with the foreign-flag tramps. In view of our operating cost differential, this is obviously impossible. I think I can say without fear of contradiction, therefore, that once the present MSA and MSTS programs are further cut back, the American tramp fleet will be forced off the seas and into layup. It is for this reason that the legislative program authorizing tramps to receive parity payments to equalize their operating costs with their foreign competitors is so essential.

We need the American-flag tramp fleet to serve the one-third of our commerce which moves on tramps, and to serve the far greater volume of tramp-type cargoes which war would require. Through studies which our association has made, we have arrived at the conclusion that a basic nucleus of 200 American tramp-type ships should be maintained on the seas. The Tramp Committee of the Maritime Commission arrived at approximately the same figure in a study which it made several years ago. More recently, the Department of Commerce has also certified this figure of 200 tramp vessels. If we have these vessels, we will be able to handle a major portion of the tramp-type cargoes moving during times of peace, we will be able to supply vessels required by the Military Sea Transportation Service during emergencies such as the present Korean war; moreover, we will be able to have a basic nucleus of ships and, even more important, of tramp-ship operating organizations, around which our wartime fleet of tramp-type vessels can be built. Our recommendation, therefore, would be that the American-flag merchant marine contain a segment of bulk-type tramp ships not less than 200 in number.

Mr. DREWRY. You mention that the Department of Commerce has "certified" the figure of 200 tramp vessels.

Mr. CLARK. In the Sawyer report to President Truman, they recommended that 200 tramp vessels be maintained, and that the present fleet of so-called obsolete boats had to be subsidized, or else it would be necessary for the owners to return them to the Government for unpaid mortgages, or that they were entitled to a request for foreign transfer. That is in the Sawyer report.

Mr. DREWRY. I just wanted to establish the origin of the figure. Are the 200 in terms equivalent to the Liberty, or 200 of this new, fast——

Mr. CLARK. We would consider the new, faster type. When we get involved in talking of tramp, we are really only here today to talk about the replacement of the Liberty, because we feel that in a lot of cases, the Victory, or the higher speed, will have a more competitive life than the Liberty.

The reason that the number has been set—I believe it was even set further back by some of the Harvard indications—is that we expect a growth, as the Sawyer report points out, of possibly 20 to 30 percent within the next 10 years in the general need of transportation.

Mr. DREWRY. Of bulk cargoes?

Mr. CLARK. Yes.

Mr. DREWRY. Export or import?

Mr. CLARK. Imports and exports. We feel, according to this report, that our national resources are dwindling. We are depending on our own merchant marine at that time to carry back these various ores which we can get more readily today than we can 10 or 15 years from now. That 200 is really based on the population growth and deterioration of our natural resources.

Let me add parenthetically that management of tramp-type vessels differs substantially from that of liner-types, and that long experience is needed in developing this know-how. In the Korean war period a major portion of the Government-owned ships being operated for the MSTS has been handled by tramp-operating companies as general agents for the Government. I think, therefore, that our program must be not only to maintain 200 ships, but to maintain a minimum number of tramp-type organizations for future expansion in the event of war.

Mr. DREWRY. How many tramp ships are privately owned and in operation at the present time? Let us just say, "privately owned."

Mr. CLARK. We are purely talking now of offshore, foreign trade?

Mr. DREWRY. That is right; no domestic.

Mr. CLARK. We are talking only of those Liberty vessels which are recognized as tramps?

Mr. DREWRY. Yes, sir.

Mr. CLARK. Why I am trying to split it up is that the unsubsidized lines which are running a berth service are running several Libertys. There are approximately 36 in the coastwise and offshore. That would leave us 156 Liberty private-tramp vessels in private hands.

Mr. DREWRY. You believe that not only would you increase the carrying capacity of your fleet by the newer type vessels with higher speed and greater capacity, but also you would increase it still above what you have at present? You believe that the trade would support as many as almost 50 additional vessels?

Mr. CLARK. I figure when you get to the point where you have to build 200 new-type vessels, you will have that extra 30 percent demand that maybe we do not require today.

Mr. DREWRY. That is a sort of long-range projection?

Mr. CLARK. We are only talking in reality of 50 percent of our imports and exports. The other 50, of course, will either have to be absorbed by foreigners or part of the liners.

If we were to achieve any type of aid from the Government, by the time we built up a little nest egg, so to speak, to invest in the new type of boat, it would take several years to do it.

Mr. DREWRY. The 200 ships, then, is a projected figure, based on studies of what the projected trade would be in these bulk-type commodities that you would carry?

Mr. CLARK. Yes. By the time you arrive at that 200 ships, the present Liberty would be in obsolescence.

Mr. DREWRY. On the question of the management of tramp-type vessels, as against liners, could you elaborate on that a little, Mr. Clark? I think the shipping business is sufficiently complicated that long service is helpful in running the liner service, too.

Mr. CLARK. Would you mind if Mr. Rothchild carried my torch for me?

Mr. DREWRY. We will be glad to hear Mr. Rothchild.

Mr. ROTHCHILD. I think the basis of our thought on that matter, Mr. Drewry, is that the shipping business breaks down into specialty trades, that a tanker-operator has more know-how in the oil business than a liner man would have.

These liner companies have the know-how in the general-cargo operation, and by the same token, the tramp companies who devote themselves exclusively to that have the know-how in bulk cargo operation, in getting the maximum turn-around out of the ships, the efficiency, the knowledge of the world trade versus a specific trade.

A man, for example, who is operating general cargo service from New York to the continent of Europe becomes more of an expert in that trade, and would find it hard to have a complete know-how of what is going on in Oceania, whereas the tramp operator has to have agents all over the world and to have rapid turn-around all over the world. So there are tramp companies that can probably get more out of a ship in a tramp operation than a liner company could.

There have been a few comparisons. I know comparisons are odious. There have been some comparisons put out in our report in 1950, covering 3 years, the comparative handling of bulk cargo vessels by American companies for the period from 1946 to 1948 on bare-boat charter.

It is interesting to note that out of the 13 subsidized liner companies, only 8 of them showed a profit, and 5 a loss. Out of 9 tramp companies, 8 showed a profit and 1 showed a loss.

Mr. DREWRY. What period was that, again?

Mr. ROTHCHILD. That was the period put out officially from 1946 to 1948.

I ran across another set of figures here of so-called additional charter hire which showed the amounts that were paid back to the United States Treasury on additional charter hire. You will see that on the handling of bulk cargo ships, the comparisons show that the tramp operators paid the largest additional charter hire back ship for ship.

Mr. DREWRY. That does not necessarily prove that point, though, would it? What was going on at that period? Was that the time of unusually heavy relief movement?

Mr. ROTHCHILD. Both types of operators were handling the same type of ship and the same type of cargo.

Mr. CLARK. And at the same time.

Mr. ROTHCHILD. They had a Maritime Commission schedule that we were working under. Certain operators could show very large recaptures in comparison to others, I think, which would show——

Mr. DREWRY. You speak of having to have worldwide agents. Where you do not have your own forces or direct representatives in these places, that is worked through agency arrangements?

Mr. ROTHCHILD. Yes; agency arrangements.

Mr. DREWRY. What is your arrangement with them? Is it on a brokerage basis?

Mr. ROTHCHILD. It is either on a port-fee basis or on a fee based on so many days in port, with an additional amount every day after that basic period.

Mr. DREWRY. You, in turn, would act as agent for a foreign-flag tramp operator, too, would you not?

Mr. ROTHCHILD. We do not manage any ships at all. When these ships would come into the ports at which we have home offices, where they would clear in——

Mr. DREWRY. You do have a kind of working arrangement? If you are going to expect them to help you and be your representative in areas all over the world, you, in turn, would provide a similar service for their ships, would you not?

Mr. ROTHCHILD. I do not think it really follows, Mr. Drewry, because most of the ports all over the world do not have shipowners. They are purely agents. The shipowners are practically limited to the countries we have named here. That would be England, Sweden, Norway, Italy, and Greece.

Mr. DREWRY. I just wanted to understand how the thing worked.

Mr. ROTHCHILD. The fact that we would be sending ships out to the islands of the Pacific would not mean we would have ships on agency of the islands of the Pacific, because they do not have any ships.

Mr. DREWRY. The agents in the islands of the Pacific would be your agents, and they would be the agents of others, too?

Mr. ROTHCHILD. That is true. He would be operating an agency business for others, too. There is a certain 25- to 50-year experience in the selection and weeding out and screening of those agents that would make a difference.

Mr. DREWRY. So in that way you are able to have representatives all over the world at a very minimum cost, a cost to you based on when the service is rendered, and not a continuing cost at all?

Mr. ROTHCHILD. That is right.

Mr. DREWRY. From the standpoint of the overhead of your operation?

Mr. ROTHCHILD. That is right.

Mr. DREWRY. Mr. Rothchild, are all of the vessels in the so-called tramp trades truly worldwide operators, or are there some which pretty generally stay in one area because of a trade which has developed and connections which they have developed along with it?

I recall at a time during the relief cargoes to Europe that some companies were running virtually a shuttle service back and forth to carry coal to France, for instance. Does that condition prevail at all with any of your members?

Mr. ROTHCHILD. No. All of our members are worldwide operators. If they had gone extensively in coal to France, that was purely the best business at the moment for the ship. That was not on a selection of trade route.

Mr. DREWRY. In your tramping operations, is there any field for American-flag tramps on a purely—I forget the term right now—going solely from two foreign points?

Mr. ROTHCHILD. You mean "cross trading"?

Mr. DREWRY. Yes.

Mr. ROTHCHILD. I think the purpose of cross trading has been placed here as a basis of reducing expense, Mr. Drewry. The thought is that if you send a vessel out with a cargo, that to bring that ship home without the maximum expense you would take cross-trading cargo if offered. To use an example, if a tramp vessel carried a cargo

of wheat today to Pakistan, which is a long trip, would it not be a more economical operation, if cargo was offered somewhere in that vicinity to somewhere on the way, to take that cargo rather than to bring the vessel all the way back from Pakistan in ballast to the United States? There is no special cross-trade business. Cross trading is incidental to the outward business.

Mr. DREWRY. Do you engage in the cross-trade business in that fashion?

Mr. ROTHCHILD. Whenever the voyage shows a better result on the round-trip basis, carrying cargo on the way, which is purely and simply a matter of calculation at the time, we do it.

It is a small percentage. There is no doubt about that.

Mr. DREWRY. I bring that up because several years ago there was some question about whether the term "foreign commerce of the United States," as used in the 1936 act, would permit any cross trading at all.

Mr. ROTHCHILD. I know that, Mr. Drewry. But from the point of view of the tramps receiving a subsidy, it was their duty to explain to the members of the committee here how the business could be done most economically. If a voyage would show a better result by carrying a cross-trade cargo, in effect, I do not think that the United States Government would be paying as large a subsidy as if they forced the vessel to come back in ballast.

At that time, I remember an example that was used of cargoes of coal that were carried to Norway. There is a large ore trade from Narvik, Norway, back to Baltimore, which are imports by the Bethlehem Steel Co. The lines cannot carry that business. It is too large a business. Whenever they want it, it is there for them. They get the priority.

But the round-trip voyage will show a great deal better for the ship in a majority of cases—the vessel is already over there—to carry back that cargo of ore to Baltimore rather than to be forced to come back in ballast.

Isn't cross trading to the benefit of the United States Government in that case, if it produces a better round-trip voyage? I think it is, obviously.

Mr. DREWRY. It would seem so.

Mr. ROTHCHILD. It is just commonsense.

Mr. DREWRY. Where did you break off, Mr. Clark?

Mr. CLARK. I really finished, because we have talked about the next to our last paragraph when we went into the type of vessels we were talking about.

The only thing left is that we feel that the program we suggest would insure continuation of an adequate tramp segment of our merchant marine for future national needs, as well as for present requirements.

Mr. DREWRY. Is there profit today in American-flag tramp shipping?

Mr. CLARK. There is at this present moment a break-even point. We have gone into it very carefully. If we assume that the MSTS is taking our boats at $1,600 a day, there could be, roughly, about $100 a day profit.

But, of course, they are going below that point today, I understand, and at the same time we had to charter to them for approximately

8 months at $1,275 a day, which was not a break-even point, not including overhead or amortization or interest on our money.

So the industry that I represent here has been in the red possibly for the last 12 months, and is just about getting out of it now, and only covering virtually their overhead, amortization, and depreciation.

Mr. DREWRY. That is just the MSTS that you mention there. You are not fully dependent on the MSTS for your survival?

Mr. CLARK. They do set the market, undoubtedly, as we have pointed out. They have 114 of our boats. So if they are only willing to pay our members $1,500 a day, the rest of the trade that is possibly in the market for a Liberty for another type of cargo or time charter, predicates their maximum rate, really, on what the MSTS has set as their market rate.

So whatever the MSTS does, directly reflects on the entire American merchant marine as far as tramp goes.

Mr. DREWRY. Are the rest of the tramp ships engaged largely in the carriage of relief cargoes or MSA cargoes?

Mr. CLARK. I would say that about the balance that would be left to this tramp fleet, outside of MSTS, are on time charter to various berth lines, unsubsidized lines. That would include the States Marine, Isthmian, Isbrandtsen, Moller, and 1 or 2 others.

Then there is an occasional block of grain going to the Mediterranean countries, an occasional cargo which is absorbing these other boats.

In other words, the present break-even point, we feel, is going to change very drastically to the worse because there is so little big bulk movements to absorb the extra American Libertys that might off-hire to the MSTS, that they might not require.

We anticipate a laid-up fleet in the very near future. In fact, we had 2 or 3 boats lying around that were ready, all fitted for grain and all, and they have been around for about a month, and I think they are not fixed until next month. So that owner is going to suffer at least about a 60-day lay-up period, which runs into considerable money per month, which is a dead loss.

Last year, at one time, during this $1,275 episode that MSTS was paying, we had an average of about 40 boats for 8 months in total lay-up.

Mr. ROTHCHILD. During the entire second half year.

Mr. CLARK. Which cost the owner at least an average of $4,000 per month, plus his overhead, plus his amortization and interest on his investment.

Mr. DREWRY. Was that following a major dropoff in MSA and other aid cargoes to Europe and other places?

Mr. CLARK. Yes, it was. The MSTS then had sufficient boats. They did not require any. Then when they did start to pick them up again, they only gave us $1,275 per day, which, as I said before, did not cover any more than the physical operation costs.

Mr. Drewry. What I am getting at, Mr. Clark, is that it seems from your testimony, and that of others, that the tramp segment of the industry has depended, in great part, on the MSA programs, and other similar-type programs, which are now definitely on the downgrade.

The MSTS has indicated that they will have a continuing need for tramp vessels in peace or semipeacetimes, such as we have at present

But you believe that the commerce of the United States will justify as many as 200 high-class, modern tramp-type vessels?

Mr. CLARK. Well, that is so. We are predicating that on, naturally, we are going to have assistance from the Government.

What we are trying to say is that if we have this 50–50 protection, then we are competitive with the foreign tramp, and instead of him getting 100 percent of the tramp-type cargo, we should get 50 percent of that tramp-type cargo.

We feel that these vessels can do that, and that there is enough cargo to support this type of vessel, providing we get the full support of the Government from all of its various departments.

Mr. DREWRY. In other words, even in the period when the American tramps were doing pretty well, the so-called normal flow of bulk cargoes in the United States foreign commerce were even then being carried by foreign-flag tramps while you were depending on Government-originated or Government-controlled cargoes?

Mr. CLARK. The peculiar part of that was that they were entitled to 50 percent of that bulk movement. We were controlled by the National Shipping Authority rate, which was approximately $11 a ton, we will assume, from Norfolk to France, and the 50 percent that the foreigners took, the same coal, the same deal, went on a foreign ship as high as $15.

So they were taking not only advantage of the American shipowner, but in every case they could, of the American Government. Their operation cost at that time was only about one-third of the Liberty, and they were getting $4 more a ton on 10,000 tons, which was a gigantic profit. That is the thing we are going to run into in normal times; whereas, if you can get a tanker market, the American shipper can get gouged by the foreigner if we do not have some type of a vessel to put in competition with him and protect the American shipper, as well as the importer. That can happen.

It can happen in the berth liners. Immediately that there are big cargoes or good-paying package stuff which starts to move in volume, and they can fill up their own berth boats, they will not be able to take, nor will they take, any of these parcel lots of grain.

We are not trying to say that they should not take grain today, but we all know, and they will admit, that as soon as they get $35-a-ton cargo, they are not going to take $10-a-ton cargo.

Then you have your grain shippers being gouged by the foreigners, because we have no American so-called tramp competitive-type boat. The thing is a vicious circle for the American shipper and importer, if he does not have some protection for a low-cost shipping unit to compete with the foreigner in time of bulge movements, because the foreigner then takes him way beyond what you would call an established rate, which we hope will be made by the shipping authority.

We all have to abide by it. The benefits are twofold by everybody. If we were not here to state that we feel we need an auxiliary fleet in case of emergency, I do not think there is much use of being here, except from the taxpayers' viewpoint and the shippers' viewpoint, where ultimately they will get their money back by the fact that they cannot be gouged by the foreigner when these big movements occur. They happen so often. Because it is dead today does not mean it will be dead next year or the year after.

Mr. DREWRY. You do not believe, then, that it is necessary, or that it is intended under this program, that you will produce when the time comes, to compete with American liner services in order to have a healthy American-flag tramp fleet?

Mr. CLARK. The American liner service, and I happen to be on one of the panels that is supposed to be reporting to Secretary Weeks, all agree that the tramp-type vessel is necessary. They all come up with the same approach as I have just quoted, that their grain movements, their little parcel-lot movements, are temporary movements, and the tramp affects it in no way.

In order to avert any possibility of competition, the bill that Senator Magnuson has presented, and I think Senator Potter, also, is that for one cargo from one shipper from one port to one consignee. So that eliminates the tramp coming into these berth ports and stealing, we will say, a 3,000-ton parcel. Of course, we are giving priority to the liners. That is in the bill. It is in black and white. We will not jeopardize their interests or involve ourselves in any way.

The big part of this whole thing is that if we can stick to this one-to-one, with one type cargo, it could not affect the berth liner under any conditions.

Mr. DREWRY. Mr. Clark, I think that just about covers what we have time for today. It is very interesting. I could keep asking questions for a long time. Would you mind submitting for the record a list of the membership of your association, the numbers and types of ships they own? I think it would be useful, too, if we could have a brief history of the origin and development of the member companies.

Mr. CLARK. I circulated that list 3 or 4 months ago to the various departments. I will be very glad to send you down one.

Mr. DREWRY. I think it would be very helpful. I find it difficult to fully comprehend the matter when people talk in large numbers of ships without having some idea of what they do. For instance, maybe some of them deal largely in a certain type of commodity. I think facts of that kind have significance that will be helpful.

(See letter at p. 367.)

Mr. CLARK. The group that I represent are really tramps. We have no affiliation with any particular interest. We may go to France today, and then when we get back to New York we do not know whether we are going to Australia tomorrow, Korea, or South Africa. When I give a time-charter boat to one of the big-berth liners, I am totally disinterested in where she is going. They are managing it for me. There is no affiliation of any particular type cargo or particular trade route, or anything like that bearing on this particular group.

Outside of this group, there are only about 15 so-called tramps that are not members.

Mr. DREWRY. I appreciate your appearance very much. Thank you again.

Mr. Ball, are you ready to let us hear from you?

## STATEMENT OF HON. JOSEPH H. BALL, VICE PRESIDENT, ASSOCIATION OF AMERICAN SHIPOWNERS

Mr. BALL. Mr. Drewry, my name is Joseph H. Ball. I am vice president of the Association of American Shipowners, which is comprised of a number of old, established shipping companies, none of which has received any subsidy under the Merchant Marine Act of 1936. A list of our member companies is attached at the end of my statement as appendix A.

Mr. DREWRY. Could I ask you for the same information that I just asked for from Mr. Clark, the number of ships and types of ships operated by your members and if they are in more or less regular service, and an indication of the services?

Mr. BALL. Yes.

(The material referred to is as follows:)

*Number, dead-weight tonnage, and trades of vessels owned and operated by members of the Association of American Ship Owners as of Apr. 30, 1953*

| Companies and trades | American flag vessels | | | | | | | | | | | | Foreign chartered | | Total operated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | American privately owned | | | | | | Government owned | | | | Total American | | | | | |
| | Owned | | Chartered | | Total | | Chartered | | General agency | | | | | | | |
| | Number | Dead-weight tons | Number | Dead-weight tons | Number | Dead-weight tons | Number | Dead-weight tons | Number | Dead-weight tons | Number | Dead-weight tons | Number | Dead-weight tons | Number | Dead-weight tons |
| American-Hawaiian Steamship Co., American-Hawaiian Steamship Co. (Del.): [1] | | | | | | | | | | | | | | | | |
| C–4 vessels in restricted operations for MSTS | 5 | 74,212 | | | | | | | | | | | | | | |
| Pacific-Far East liner service | 2 | 21,425 | | | | | | | 4 | 41,340 | | | | | | |
| General agency operations for MSTS | | | | | 7 | 95,637 | | | | | 11 | 136,977 | | | 11 | 136,977 |
| Total | | | | | | | | | | | | | | | | |
| A. H. Bull & Co., Inc.: | | | | | | | | | | | | | | | | |
| North Atlantic-Puerto Rican liner service | 18 | 177,578 | | | | | | | 3 | 31,957 | | | | | | |
| General agency operations for MSTS | | | | | 18 | 177,578 | | | | | 21 | 209,535 | | | 21 | 209,535 |
| Total | | | | | | | | | | | | | | | | |
| Baltimore Insular Line, Inc.: Contract carrier in foreign trades | 2 | 21,950 | 1 | 10,799 | 3 | 32,749 | | | | | 3 | 32,749 | 1 | 3,590 | 4 | 36,339 |
| Eastern Steamship Lines, Inc.: | | | | | | | | | | | | | | | | |
| Inactive (summer passenger service, Boston to Nova Scotia; winter cruise service when economically feasible) | 3 | 6,700 | | | | | | | 4 | 42,949 | | | | | | |
| General agency operations for MSTS | | | | | 3 | 6,700 | | | | | 7 | 49,649 | | | 7 | 49,649 |
| Total | | | | | | | | | | | | | | | | |
| Luckenbach Steamship Co., Inc.: | | | | | | | | | | | | | | | | |
| Pacific-North Atlantic intercoastal liner service | 15 | 190,826 | | | | | | | | | | | | | | |
| Time chartered to States Marine Corp. of Delaware for North Atlantic-North European liner service | 2 | 24,108 | | | | | | | | | | | | | | |
| Bareboat chartered to Pacific Far East Lines for Pacific-Far East subsidized liner service | 3 | 38,329 | | | | | | | 1 | 7,604 | | | | | | |
| General agency operations for MSTS | | | | | 20 | 253,263 | | | | | 21 | 260,867 | | | 21 | 260,867 |
| Total | | | | | | | | | | | | | | | | |
| Luckenbach Gulf Steamship Co., Inc.: Gulf-Pacific intercoastal liner service | | | | | | | 3 | 32,408 | | | 3 | 32,408 | | | 3 | 32,408 |
| Oliver J. Olson & Co.: Pacific coastwise | 7 | 28,643 | | | 7 | 28,643 | | | | | 7 | 28,643 | | | 7 | 28,643 |
| Quaker Line (Pacific-Atlantic Steamship Co.): | | | | | | | | | | | | | | | | |
| Pacific-North Atlantic intercoastal liner service | 3 | 32,262 | | | | | | | 3 | 27,357 | | | | | | |
| General agency operations for MSTS | | | | | 3 | 32,262 | | | | | 6 | 59,619 | | | 6 | 59,619 |
| Total | | | | | | | | | | | | | | | | |

[1] Ownership of the vessels is in the Delaware company, while the parent New Jersey company conducts all vessel operations.

*Number, dead-weight tonnage, and trades of vessels owned and operated by members of the Association of American Ship Owners as of Apr. 30, 1953*—Continued

| Companies and trades | American flag vessels | | | | | | | | | | | | Foreign chartered | | Total operated | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | American privately owned | | | | | | Government owned | | | | Total American | | | | | |
| | Owned | | Chartered | | Total | | Chartered | | General agency | | | | | | | |
| | Number | Dead-weight tons | Number | Dead-weight tons | Number | Dead-weight tons | Number | Dead-weight tons | Number | Dead-weight tons | Number | Dead-weight tons | Number | Dead-weight tons | Number | Dead-weight tons |
| Seatrain Lines, Inc.: Atlantic-coastwise liner service (in vessels carrying 100 loaded freight cars) | 7 | 56, 633 | | | 7 | 56, 633 | | | | | 7 | 56, 633 | | | 7 | 56, 633 |
| Shepard Steamship Co.: | | | | | | | | | | | | | | | | |
| Contracts service in foreign trades | 1 | 10, 750 | | | | | | | | | | | | | | |
| General agency operations for MSTS | | | | | | | | | 2 | 21, 500 | | | | | | |
| Total | | | | | 1 | 10, 750 | | | | | 3 | 32, 250 | | | 3 | 32, 250 |
| States Marine Corp., States Marine Corp. of Delaware: [1] | | | | | | | | | | | | | | | | |
| Gulf-Pacific-Far East | 4 | 42, 670 | 5 | 56, 488 | | | | | | | | | | | | |
| Pacific-Far East | 7 | 74, 200 | 12 | 127, 979 | | | | | | | | | | | | |
| Atlantic-Gulf-Far East | 1 | 10, 580 | 1 | 10, 820 | | | | | | | | | | | | |
| Pacific-North Europe | 3 | 31, 890 | | | | | | | | | | | 1 | 10, 330 | | |
| Atlantic-North Europe | 1 | 10, 750 | 1 | 32, 302 | | | | | | | | | 2 | 20, 095 | | |
| Gulf-North Europe | 1 | 10, 777 | | | | | | | | | | | | | | |
| Gulf-Atlantic-North Europe | | | 1 | 9, 510 | | | | | | | | | | | | |
| Gulf-Atlantic-Mediterranean | | | 3 | 31, 212 | | | | | | | | | | | | |
| Gulf-Mediterranean | | | 1 | 10, 745 | | | | | | | | | | | | |
| Atlantic Mexico | | | | | | | | | | | | | | | | |
| Pacific-Atlantic (time charter to certificated intercoastal carriers) | 3 | 32, 324 | 2 | 21, 720 | | | | | | | | | 1 | 9, 000 | | |
| General agency operations for MSTS | | | | | | | | | | | | | | | | |
| Total | | | | | 46 | 513, 967 | | | 6 | 65, 638 | 52 | 579, 605 | | | 56 | 619, 030 |
| States Steamship Co.: Pacific-Far East liner service | 5 | 52, 994 | | | 5 | 52, 994 | | | | | 5 | 52, 994 | | | 5 | 52, 994 |
| Weyerhauser Steamship Co.: Pacific-North Atlantic intercoastal service | 7 | 75, 654 | | | 7 | 75, 654 | | | | | 7 | 75, 654 | | | 7 | 75, 654 |
| Subtotal | 100 | 1, 025, 255 | 27 | 311, 575 | 127 | 1, 336, 830 | 3 | 32, 408 | 23 | 238, 345 | 153 | 1, 607, 583 | 5 | 43, 015 | 158 | 1, 650, 598 |
| Less vessels chartered by one member to another | 2 | 24, 108 | | | 2 | 24, 108 | | | | | 2 | 24, 108 | | | 2 | 24, 108 |
| Total | 98 | 1, 001, 147 | 27 | 311, 575 | 125 | 1, 312, 722 | 3 | 32, 408 | 23 | 238, 345 | 151 | 1, 583, 575 | 5 | 43, 015 | 156 | 1, 626, 490 |

[1] These corporations have different stockholder interests, with the Delaware corporation owning 14 vessels and the New York corporation 6 vessels. Operations of the New York corporation are principally in the North Atlantic-North European trades. The vessels of the 2 corporations, however, are interchanged on a charter basis to meet shifting trade demands in different world areas, and vessels are not earmarked for particular trades.

We believe that Congress is the proper body to determine the size and composition of the American-flag merchant marine required in the national interest, with the help and cooperation of all whose views may be helpful, including, of course, those executive departments most closely concerned, such as Commerce and Defense.

The enactments of Congress probably affect the merchant marine to a far greater degree than most industries. The strength and perhaps the very existence of American-flag shipping depend upon policies formulated by Congress. For example, war-built ships purchased under the terms of the Ship Sales Act of 1946, enacted by Congress, are all but a few of the vessels in the fleet today. Congress excluded foreign competition from the domestic trades, and the 55 vessels serving noncontiguous territories of the United States constitute one of the strongest segments of our fleet, small as it is. The 275 vessels in foreign trades receiving operating subsidies under the 1936 act passed by Congress are another segment of strength in our fleet, while the requirement by Congress in many postwar acts that at least 50 percent of foreign-aid cargoes must be transported in American-flag vessels has aided substantially in keeping a sizable privately owned fleet on the seas.

The 240 dry-cargo American-flag vessels which were operating without subsidy in the foreign trades on March 31 constitute a very weak segment of our privately owned fleet. The 50-percent requirement on foreign-aid cargoes has been especially important to these vessels. The probabilities are that many of them will find it impossible to continue profitable operations once there are no more foreign-aid cargoes.

What Congress does in the future, first, in setting goals as to the size and composition of the fleet required in the national interest, and then in adopting policies designed to achieve those goals, undoubtedly will be the dominant factor in determining what kind and how large a fleet we have under our flag in the future.

The Department of Commerce seems to be the appropriate agency to estimate the size of fleet necessary to protect our commerce in time of peace, just as the Defense Department is the logical one to estimate with reasonable accuracy the active fleet needed initially as a defense auxiliary in case of war. We have followed their presentations to your subcommittee with great interest.

It does appear to us that one aspect of the problem has been overlooked so far in their testimony. That is the extent to which our national interests are served by foreign-flag vessels owned by American citizens. If our public policy as to commerce and defense can be satisfied by investment of American capital in lower-cost foreign shipping services, the shipping industry should know it.

It was reported recently that United States citizens have built 239 vessels of nearly 5 million dead-weight tons abroad since the war. It is generally said that vessels under our own flag are preferable, primarily because of the shipbuilding and operating skills they keep alive among citizens. We believe this is true, and that Congress will reaffirm it. But the large tonnages of foreign-flag vessels operated and being built by American citizens raises a question that seems sufficiently important for this subcommittee to ask that the executive departments make some evaluation of it in their estimates.

Our association has studied with much interest the reports and estimates as to the American merchant-marine needs and possibilities which have appeared almost annually since the end of World War II, beginning with the Harvard report, and including Maritime Commission studies, the President's Advisory Committee, the report of the Magnuson subcommittee and the most recent report of former Secretary of Commerce Sawyer.

I have been reviewing those reports and studies recently, and particularly those portions dealing with the coastwise and intercoastal trades. A number of our member companies are engaged in those trades, and I believe that there is general agreement that the coastwise and intercoastal fleet, as of today, constitutes one of the very weak segments of our merchant marine. The disposition of the active American-flag fleet of oceangoing vessels at the time a major war occurs can be tremendously important in the initial phases of the war. In both World Wars I and II, the coastwise and intercoastal fleet, because of its ready availability, was the first to be requisitioned and proved to be of great value in the opening phases of both conflicts.

We believe this subcommittee, as part of its overall task, will want to consider whether some Government effort should not be devoted to strengthening of these domestic trades which, in the past, have supplied a variety of vessel types readily available to the Nation in time of emergency. Once this subcommittee, after this current set of hearings, makes its recommendations as to the goals in size, composition, and disposition of the active merchant marine required in the national interest, our association will be prepared to offer suggestions as to policies we believe would be helpful in attaining such goals, not only in the domestic trades, but also in the foreign trades.

Since most of the testimony heretofore has concerned the foreign trades, it might be helpful now to review briefly the situation in the coastwise and intercoastal trades. I have concentrated on them because the fleet engaged in trades with the noncontiguous territories, with the exception of the Alaskan trade, appears to be in a relatively strong position.

Just for my own information, I abstracted from the various reports and studies I reviewed, the estimates of each as to the size of coastwise and intercoastal dry-cargo fleet which might either find employment or was needed in the national interest after the war, together with the size of such fleets as of 1939 and March 31, 1953. For purposes of comparison, I also included the total size of the United States fleet in each column and the size of the intercoastal fleets as a percentage of that total. The table is attached to my statement as appendix B.

The table shows graphically how prospects in the coastwise and intercoastal trades have deteriorated. In 1939, the fleet comprised 378 vessels totaling 2,570,000 deadweight tons. The first postwar study, made by the Harvard Graduate School of Business Administration in June 1945, estimated that a minimum of 250 and maximum of 478 vessels could be employed in these trades after the war. These vessels would have comprised from 29 to 36.6 percent of the total United States-flag fleet which the Harvard report estimated could find active employment after the war. In 1939, the coastwise and intercoastal fleets comprised 34.6 percent of the vessels and 27.6 percent of the deadweight tonnage under the American flag.

A Maritime Commission study in June 1946, a year later, was more modest. It estimated the postwar coastwise and intercoastal fleet at 229 vessels totaling 2,080,000 deadweight tons, which in turn would have comprised 21.9 percent of all vessels, and 18.2 percent of the total tonnage the Commission study estimated could find employment under the United States flag.

The most recent report, that of former Secretary of Commerce Sawyer, in November 1952, reduced the possible size of the coastwise and intercoastal fleet still further, to only 159 vessels. This report, however, based primarily on needs rather than commercial possibilities, raised the total United States-flag fleet required in the national interest to 1,856 vessels, aggregating 14,727,000 deadweight tons. This study did not estimate the tonnage of the domestic fleet, but the vessels would comprise only 8.2 percent of the total United States-flag fleet estimated to be needed.

Mr. DREWRY. Mr. Ball, before World War II, there were still a number of passenger vessels in the domestic fleet; were there not?

Mr. BALL. In the coastwise and intercoastal trade; yes. I do not have those figures with me. I think there were about 10, as I recall, combination vessels.

Mr. DREWRY. They were, of course, of immense value in this question of the initial needs in World War II.

Is it not correct that they were used either as troopships, hospital ships, command ships, or something of that sort? But at that time, at the outbreak of World War II, what was the state of the passenger business in the coastwise and intercoastal trade?

Mr. BALL. I do not have any figures on that. I would just guess it was deteriorating because of the competition of automobiles and airplanes.

Mr. DREWRY. That is my point. That would be my guess, too.

Mr. BALL. For the same reason, I do not think there is any chance of reviving it, except for vacation cruises. You might pick up something that way.

With automobiles and airplanes competing, there does not seem to be any possibility of reviving any passenger trade, intercoastal or coastwise.

Mr. DREWRY. So there would be no commercial justification for being too concerned about that portion of the former domestic fleet as being of potential use in time of war; it just could not be supported because the business would not be there, no matter how much aid might be granted?

Mr. BALL. No. And, of course, you could not subsidize it enough, even if you could get a subsidy through Congress, which you could not, to pick up any business.

In contrast to all of these estimates, and to the 1939 fleet as well, the latest Maritime Administration report shows that on March 31, 1953, there were only 114 privately owned vessels aggregating 747,000 deadweight tons in the coastwise and intercoastal trades. They accounted for only 9 percent of the vessels and 7.2 percent of the tonnage of the entire active privately owned fleet under the American flag on that date. There were 264 fewer vessels and 1,823,000 fewer dead-weight tons of ships engaged in these trades in 1953 than in 1939. That is a decrease of just over 70 percent.

This deterioration in the coastwise and intercoastal trades is reflected in the fact that 22 different companies which held certificates from the Interstate Commerce Commission have either suspended or abandoned their prewar services. The 22 companies are listed in appendix C attached to my statement. It is possible that there will be further suspensions in service within the next year or two unless current conditions improve.

Incidentally, one of those who abandoned the service recently was the American-Hawaiian, which had been in the service about as long as any operating company. They just decided they could not make it pay.

Mr. DREWRY. That was one of the largest companies in the intercoastal trade?

Mr. BALL. Yes. This steady decline is even more discouraging because it takes place against a background of rising industrial production, which should have brought about an increase in these trades.

The Harvard report—page 92—found that the tonnage of vessels in the coastwise and intercoastal trades from 1929 to 1939 had varied almost directly with the index of industrial production. The index is based on 1935–39 equals 100, and today stands at 242. If the coastwise and intercoastal fleet had increased in proportion to that index, it would total more than 3 million dead-weight tons today, instead of less than 750,000 dead-weight tons.

Actually, the troubles of the coastwise and intercoastal trades are not new, although they are greatly intensified since the war. But all of the postwar studies which went into the question concluded that these trades were depressed for 10 years prior to the war. With rare exceptions, most companies in the trades were not making sufficient profits, if any, to even begin to replace or rehabilitate worn or obsolete equipment, and even then, operating costs were rising faster than revenue.

All of the studies seem to agree on the main problems of the coastwise and intercoastal trades. They can be summarized briefly as follows:

1. The tremendous increase in costs, particularly cargo-handling costs. The latter were only 30 to 40 percent of total operating costs prewar, were reported in 1947 to be 50 percent, and probably are more today.

2. The ceiling on water rates imposed by competitive rail and truck rates, which has effectively prevented the lines from increasing their operating revenues as costs increased.

3. Very low profits or actual losses, which in turn prevented either accumulation of capital from earnings or attraction of new capital needed to rehabilitate terminals and replace vessels.

A number of suggestions or recommendations have been made as to what Government might do to help stimulate these trades.

Both the Harvard report and the President's Advisory Committee suggested sale of war-built vessels for operation exclusively in the coastwise and intercoastal trades at very low prices. However, the Congress, in enacting the Ship Sales Act, rejected that suggestion in favor of identical treatment of all purchasers and no conditions on the vessel's title.

The President's Advisory Committee recommended that the Government sponsor a cooperative study and effort to modernize cargo-

handling methods and reduce costs. The point that cargo-handling methods have changed little in the past 100 years was made repeatedly.

Mr. DREWRY. Has any such cooperative study been initiated, Mr. Ball?

Mr. BALL. Not to my knowledge. I believe that the Army Transport Division made some kind of a study of cargo handling at one of their ports of embarkation several years ago, but I have never seen the report. It was never published.

Mr. DREWRY. That was done only by the Army Transport, and not in conjunction with Maritime or with industry, either?

Mr. BALL. No. The Maritime has talked about something along this line many times. So far as I know, nothing has ever been done.

Mr. DREWRY. We were speaking the other day about prototypes. Didn't Maritime fit a ship or several ships in the postwar years with special types of cargo-handling gear on an experimental basis? Are you familiar with anything along that line?

Mr. BALL. No, I am not. I think they had something to do with that trailer-ship experiment, which, as I understand, did not work out. But whether they contributed much to it or not, I do not know.

Of course, they have experimented with various cargo booms and winches, I think, from time to time. But as these reports have pointed out time and again, practically all of them point out it is true of the foreign trade, of course, as well as domestic trade, the only real improvements in cargo-handling, in general cargo, that is, in the past 100 years, have been in the booms and winches, but the method of handling it has not changed.

In fact, some of our members tell me that they get less cargo moved by a crew today than they did prior to the war.

Mr. DREWRY. That is because of the crew, rather than the equipment?

Mr. BALL. So I understand.

Mr. DREWRY. So there has not only been very little increase of productivity in the type of handling equipment, but there has been a decrease in the productivity of the personnel that handles it?

Mr. BALL. So I am told, that you get less cargo moved by a crew today than you did prewar in a given number of hours.

Mr. DREWRY. Even though there has been some development in recent years in methods of handling a load, has there not, palletizing and putting special types of equipment on the piers, themselves, to handle the material to and from the ship?

Mr. BALL. Yes. But there has been nothing in handling general cargo comparable to what has happened in the handling of iron ore, for instance.

I lived in Minnesota where, at the head of the lakes, they handle these tremendous tonnages of iron ore mechanically. I do not know how much that could be adapted to general cargo, but I would wager if good engineers were turned loose with no restrictions on what they could do, just to get the most efficient-type way of moving the cargo, they could certainly improve present methods.

Mr. DREWRY. It is obvious, then, that there is just as much a need for this cooperative study as there ever was; in fact, even greater?

Mr. BALL. I would think so.

Mr. DREWRY. Would that also include a study of terminals, themselves?

Mr. BALL. Yes, it would have to include it. I would think there would have to be quite a bit of redesign of terminals and new equipment for some of them. That is one of the reasons, of course, the intercoastal operators, themselves, and coastwise, have never been able to get into this very much, because they have never been able to get far enough ahead of the wolf to accumulate any capital to spend on that sort of thing.

Mr. DREWRY. Have there been any studies made among the domestic operators themselves, limited though it might be, to work out more efficient methods of handling the cargo and cutting down on costs?

Mr. BALL. I believe American-Hawaiian did quite a bit of research on a container. But it never reached a conclusion, as far as I know.

Mr. DREWRY. You do not know whether that study is being continued either by them or on the part of anyone else?

Mr. BALL. As far as I know, it is not. Of course, Seatrain, as I mention later, developed their method of handling cargo.

Mr. DREWRY. You say you do mention Seatrain later?

Mr. BALL. Yes. The Magnuson subcommittee devoted more attention to the rate problem, and suggested that a special study of competitive rail and truck rates be made to determine whether such rates are compensatory, in fact.

Suggestions for handling cargo in large containers, or for using truck trailers as containers, have been made repeatedly, but except for the successful operation of Seatrain Lines, little has come of them.

Seatrain Lines, of course, handled loaded freight cars, approximately, 100 to a ship.

Mr. DREWRY. Where do they operate?

Mr. BALL. From New Orleans and Texas ports to Savannah and New York. They did operate to Cuba at one time, but a little war and discrimination drove them out of that trade.

Mr. DREWRY. Discrimination is a matter which is of interest to the subcommittee, too. What type of cargo do they carry?

Mr. BALL. General cargo in carload lots. I think they will take anything. It just has to be in a carload.

Mr. DREWRY. What is the predominant type of cargo that moves in that trade?

Mr. BALL. I would not know. At Texas I know they have some deep tanks in which they handle some chemicals.

Mr. DREWRY. I was just wondering about the nature of the trade which is not being carried at the present by the coastwise lines, whether it is because the trucks and railroads can carry them better, more efficiently, or whether it is something more than that, whether the type of cargo that used to move is no longer moving?

Mr. BALL. I would not be competent to go into that. I do know that the officials of Seatrain told me something of their experience. Of course, I have seen their terminals. They require special terminals, special types of cranes, their ships are specially designed, which means a terrific initial investment.

They had considerable legal troubles with the railroads before they really got operating. I think they spent hundreds of thousands of dollars on litigation before they got their operating rights really established to use these loaded freight cars. The railroads objected strenuously to their taking their cars.

Mr. DREWRY. After the ships come into wherever they are going, the cars are then hooked up with the railroad and carried still further. It is not just a case of running into New York for immediate distribution there, but to maybe go on to points inland?

Mr. BALL. Yes. They are gathered at something like a gathering freight yard. They gather them at one end and disperse them at another.

Mr. DREWRY. As to Seatrain, would that fall within the general idea of the so-called roll-on, roll-off vessel?

Mr. BALL. They do not roll on or roll off. They lift them up with a crane and then roll them back in the ship. They only have a single cargo hatch. They drop these down to various levels and roll them back. I think Seatrain has experimented with a design of a trailer ship.

Mr. DREWRY. Truck trailer?

Mr. BALL. Yes, but they have never gone ahead with it. They were a little afraid, again, of the difficulties of the Interstate Commerce Commission, as I understand.

But in connection with that, I noticed the military, Admiral Wilson, suggested that they would like to see the Maritime join with them and develop a prototype container ship and a prototype vehicle ship, roll-on, roll-off. It seems to me either one of those projects certainly could be tied into the problems of the coastwise and intercoastal trades perfectly. It fits in with their needs. Whether that is the answer or not, nobody will know until you try it. Something like that seems to be needed.

Mr. DREWRY. We might be able to develop more simplified terminals, I suppose, where warehousing would not be required. If they used trailer bodies instead——

Mr. BALL. You need space, I suppose. Seatrain has to have quite a bit of space for the railroad cars, a lot of trackage. I suppose you would need space for your truck tractors, to marshal them.

The main obstacles appear to be union opposition, the difficulty of securing profitable joint rail-water or truck-water rates, regulatory difficulties with the ICC, and again, the lack of adequate capital for research and expensive terminal changes.

There are, of course, many other problems and possible solutions which I cannot attempt to cover, and would not be competent to discuss if I did. But the studies I have gone over, all would indicate that these I have listed are the major obstacles to be overcome.

It would appear that if these problems could be solved, with or without Government help, the level of industrial activity in the United States is high enough to keep in profitable operation a coastwise and intercoastal fleet at least 2 or 3 times its present size, which unquestionably would be a great asset if war comes.

Mr. Chairman, I would like to offer these appendixes for the record.

Mr. DREWRY. They will be made a part of the record.

(The documents referred to are as follows:)

## Appendix A

### Members of Association of American Ship Owners

American-Hawaiian Steamship Co., New York, N. Y.
American-Hawaiian Steamship Co. (Delaware), New York, N. Y.
A. H. Bull & Co., Inc., New York, N. Y.
Baltimore Insular Line, Inc., New York, N. Y.
California Eastern Line, Inc., Vancouver, Wash.
Eastern Steamship Lines, Inc., Boston, Mass.
Luckenbach Steamship Co., Inc., New York, N. Y.
Luckenbach Gulf Steamship Co., Inc., New York, N. Y.
Oliver J. Olson & Co., San Francisco, Calif.
Pacific-Atlantic Steamship Co., Vancouver, Wash.
Seatrain Lines, Inc., New York, N. Y.
Shepard Steamship Co., Boston, Mass.
States Marine Corp., New York, N. Y.
States Marine Corp. of Delaware, New York, N. Y.
States Steamship Co., Vancouver, Wash.
Weyerhaeuser Steamship Co., San Francisco, Calif.

## Appendix B

*The privately owned coastwise and intercoastal dry-cargo fleet*

[Dead-weight tons in thousands]

| Trade | 1949 actual | | Mar. 31, 1953 actual (privately owned) | | Harvard report estimates, June 1945 | | June 1946 Maritime Commission estimates | |
|---|---|---|---|---|---|---|---|---|
| | Number | Dead-weight tons | Number | Dead-weight tons | Number | Dead-weight tons | Number | Dead-weight tons |
| Combination coastwise | 22 | 80 | ---- | ---- | ---- | ---- | 7 | 20 |
| Intercoastal | 6 | 50 | ---- | ---- | ---- | ---- | ---- | ---- |
| Freighters, coastwise | 213 | 1,110 | 63 | 360 | ---- | ---- | 121 | 890 |
| Intercoastal | 137 | 1,330 | 51 | 387 | ---- | ---- | 101 | 1,170 |
| Total coastwise | 235 | 1,190 | 63 | 360 | ---- | ---- | 128 | 910 |
| Intercoastal | 143 | 1,380 | 51 | 387 | ---- | ---- | 101 | 1,170 |
| Grand total | 378 | 2,570 | 114 | 747 | 250 to 475 | ---- | 229 | 2,000 |
| Total United States fleet | 1,091 | 9,310 | 1,262 | 10,265 | 860 to 1,325 | 8,990 to 13,950 | 1,044 | 11,400 |
| Coastwise and intercoastal dry-cargo fleet as a percent of total United States fleet | 34.6 | 27.6 | 9 | 7.2 | 29 to 36.6 | ---- | 21.9 | 18.2 |

Note.—The report of former Secretary of Commerce Saywer in November 1952 estimated that 154 dry-cargo vessels could be employed in the coastwise and intercoastal trades (no estimate of tonnage), which would comprise 8.2 percent of the 1,856 vessels aggregating 14,727,000 dead-weight tons which the report estimated should be the total United States flag deep-sea fleet.

APPENDIX C

CERTIFICATED WATER CARRIERS WHO HAVE SUSPENDED OR ABANDONED THEIR PREWAR INTERCOASTAL AND COASTWISE OPERATIONS

Atlantic coast:
- Agwilines, Inc. (Clyde Mallory Lines)
- Bull Steamship Line
- Colonial Navigation Co.
- Eastern Steamship Lines, Inc.
- Ericsson Line, Inc.
- Merchants & Miners Transportation Co.
- Munargo Line Co.
- North Carolina Line
- Ocean Steamship Co. of Savannah
- Philadelphia & Norfolk Steamship Co.
- Refrigerated Steamship Lines, Inc.
- Thames River Line, Inc.
- Walling Transportation Co.

Atlantic and Gulf Coasts:
- American Range Line
- Southern Pacific Co. Steamship Lines
- Southern Steamship Co.

Intercoastal:
- American-Hawaiian Steamship Co.
- California Eastern Line, Inc.

Pacific coast:
- Babbidge & Holt, Inc.
- Coastwise-Olympic Lines:
  - Consolidated Steamship Companies
  - Olympic Steamship Co.
- Moore Steamship Co.
- Ramselius & Co., J.

Source: ICC Ex Parte No. 165, "Problems in the Regulation of Domestic Transportation by Water," Appendix B, p. 357 showing "Carriers Subject to Part III of Interstate Commerce Act Which Suspended Operations During the War Emergency"—checked against table 3, Department of Army, Corps of Engineers "Transportation Lines on the Atlantic, Gulf and Pacific Coasts, 1952."

Mr. DREWRY. Mr. Ball, back to the prototypes which Admiral Wilson mentioned, what would be your thought as to how such a program should be developed, whether it should be developed from the standpoint of commercial needs, first, with the defense needs then being designed on to it, or build a prototype which will meet all defense needs, and then compromise down from there to get a suitable commercial vessel?

I am thinking in that connection that there seems to be developing in various places in the country at present a sort of air-taxi service, and a local airmail service with the use of helicopters. The helicopter development has, of course, been almost exclusively military. I think I saw a statement the other day that to have commercially available, commercially practicable helicopters of large enough size to run a substantial profitmaking taxi service, or bus service, say, from La-Guardia Field to downtown New York, they are waiting on the further development in that field by the military in connection with the building and use of large craft of that kind.

I think that is true in other types of aircraft, that the DC–3, for instance, was essentially a military development, which has turned into pretty much the workhorse of the commercial lines.

Mr. BALL. It seems to me that this shipping thing is a pretty special area which involves an awful lot of factors. If either a container ship or a vehicle roll-on, roll-off ship is to be of any use in com-

mercial operation, the commercial operators would have to be in on it from the very beginning. It would have to be a cooperative project. I think, also, you would have to have the unions in on it, the teamsters, the railroad brotherhoods, certainly, and probably the longshoremen, because they can tie them up, too.

The Interstate Commerce Commission ought to be in on it, because if you cannot get profitable, joint rail-water or truck-water rates when you get this vehicle or container in operation and going, it still will not work.

You have to get a fair division of the rates to make it work. It seems to me that the situation calls for a cooperative job with all those agencies—Maritime, Defense, the unions, and the Interstate Commerce Commission—and Congress ought to be in it, because eventually Congress is going to have to do something about it, anyhow.

It would probably have to be financed some way, either to loan the money, or some way to modernize the terminals.

Mr. DREWRY. You feel that right now there is enough opportunity for the commercial employment of vehicle-type vessels if these various conflicting elements can be reconciled; that the movement of truck bodies, for instance, in large numbers, from Jacksonville to New York, would be a feasible thing, could be done economically, if the opposition from the unions and railroads, for instance, could be ironed out?

Mr. BALL. And the capital needs met, plus the design of ships and terminals.

To me, what seems to be wrong with the handling costs in the coastal and intercoastal trade, where they run into trouble competing with the trucks and railroads, is that the trucks and railroads do door-to-door pickup and delivery. They handle the cargo once at the point of origin and once at the destination. But if it goes on a ship, the way it is done now in most cases, is that it is first loaded onto a truck or railroad car at the point of origin, and at the dock it is unloaded, then it is loaded onto the ship, and the same thing is true at the other end. It is handled three times at each end rather than once. You have 6 operations in place of 2. That is a pretty tough thing to lick. It takes a terrific differential in the water rate to overcome that.

Mr. DREWRY. It is not solely the rates by a long shot?

Mr. BALL. No.

Mr. DREWRY. Mr. Ball, in the course of earlier testimony, there has been some comment about difficulties which have been experienced by some of the subsidized operators in connection with particular reference being made to construction subsidy, where the company has thought it had an agreement and found out later that it did not seem to have an agreement, or that the rate of construction subsidy was so much higher than they had originally thought that they considered the change to be not only unjustifiable but unconscionable.

Have there been, as far as the members of your group are concerned, any instances where the sanctity of contracts has not been observed, or whether something approaching that might be subject to complaint?

Mr. BALL. Yes. I recall one in the domestic trades. You are speaking about this tendency of Government contracts to be a one-way street, binding on the contractor but not on the Government?

Mr. DREWRY. That is the area that is being considered.

Mr. BALL. I was thinking of the domestic addendum to the general ship charter form that was entered into with the Maritime Commission under the Ship Sales Act right after the war, before many lines had made their arrangements to buy their own ships.

Mr. DREWRY. Could you explain the addendum part of it?

Mr. BALL. What happened was that right after the war a great many war-built ships were chartered to private operators because they needed them to carry cargoes and wanted to abandon Government operation.

They were chartered on this 15 percent of the floor price, or the Ship Sales Act, whichever was lower, with, I believe, a recapture provision in it. That was the general charter. Right after the war, the coastwise and intercoastal trades looked so very unprofitable that none of the private operators were ready to attempt to private operation again.

So I think beginning in 1945 or early 1946, the Maritime Commission itself operated vessels in the coastwise and intercoastal trades, using the old private operators as general agents. They lost a terrific amount of money. I forget how much.

Then in 1947, the operators were willing to try private operation. They worked out a plan with the Maritime Commission to charter the vessels, but the Commission itself recognized that this 15 percent charter hire, which applied to vessels chartered for use in the foreign trades, would be prohibitive in the coastwise and intercoastal trade. So they agreed that there would be some reduction. They haggled over it for years. Actually, they had telegrams or letters of intent, and the domestic operators went ahead and chartered the vessels and started private operation of the coastwise and intercoastal trade.

In 1947 they fussed around, actually, and negotiated until January of 1950, which in itself, I think, is kind of a sad state of affairs, because for 3 years they operated without knowing where they were.

Mr. DREWRY. No written contract at all?

Mr. BALL. No, just various telegrams back and forth and a lot of meetings and negotiations. When they did finally get the contract, the domestic addendum, which was simply an addition to the general ship charter contract which each operator had for the ships that he was chartering, and some in the foreign trade, provided for a domestic charter hire of 8½ percent payable immediately, and then an additional 6½ percent payable only out of earnings, out of profits, if there were any.

The addendum, as it was written and approved by the Maritime Commission, and signed by the operators, provided that that 6½ percent was to be paid out of profits figured cumulatively over the entire period of the charter.

The Comptroller General, as has happened rather frequently in the past, criticized the cumulative feature of that very vigorously. There were some hearings before the Hardy subcommittee in the House, at which, incidentally, the operators themselves were not permitted to testify—did not get a chance to testify, at least.

As a result, the Maritime Administration, in 1951, reversed itself and said that the 6½ percent payable out of profits would be figured annually instead of cumulatively over the whole charter period. It

so happened, after losing money heavily in 1947 and 1948, that in 1949 and part of 1950 the operators did show a slight profit, although the period, as a whole, showed a loss. Cumulatively, it was a loss.

They billed the various companies for extra charter hire, and the whole matter now is in litigation. But that is another case where the operators signed a contract, the Maritime Commission approved it, and then it was a little over a year later that it was repudiated.

Mr. DREWRY. And they had nothing in writing, nothing in the way of a formal contract for 3 years?

Mr. BALL. That is right. It makes it a tough way to do business.

Mr. DREWRY. It certainly does. I believe I have no further questions, Mr. Ball. Thank you very much.

Mr. BALL. Thank you very much.

Mr. DREWRY. We appreciate your indulgence in my substituting for the chairman.

Mr. BALL. You do it very well.

Mr. DREWRY. There being no further witnesses today, the meeting is adjourned until Monday at 10 o'clock. I will check with the chairman to see if that is satisfactory. At that time, we expect to hear from Mr. Hoyt Haddock, representing the CIO-NMU. The meeting is adjourned.

(Whereupon, at 12:10 p. m., the subcommittee recessed to reconvene at 10 a. m. Monday, July 13, 1953.)

# MERCHANT MARINE STUDIES

**MONDAY, JULY 13, 1953**

UNITED STATES SENATE,
SPECIAL SUBCOMMITTEE ON MARITIME SUBSIDIES OF THE
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
*Washington, D. C.*

The subcommittee met, pursuant to call, in room G–16, Capitol, at 10:08 a. m., Senator Charles E. Potter presiding.

Present: Senator Potter.

Also present: Mr. John M. Drewry, special counsel to the subcommittee.

Senator POTTER. The subcommittee will come to order. Our first witness this morning is Mr. Hoyt Haddock, executive secretary of the CIO Maritime Committee. Mr. Haddock, are you ready to proceed?

## STATEMENT OF HOYT S. HADDOCK, EXECUTIVE SECRETARY, CIO MARITIME COMMITTEE

Mr. HADDOCK. Good morning, Mr. Chairman. I am.

Senator POTTER. We are happy to have you here to receive your thoughtful testimony.

Mr. HADDOCK. I am sure you have noticed the bulkiness of the statement.

Senator POTTER. Yes. I wonder if that has been copyrighted?

Mr. HADDOCK. No; we did not copyright it. As a matter of fact, we will let people use it even without reference, if they will use it.

My name is Hoyt S. Haddock. I am the executive secretary of the CIO Maritime Committee. The CIO Maritime Committee consists of the maritime unions affiliated with the Congress of Industrial Organizations. These unions are the National Maritime Union of America; American Radio Association; National Marine Engineers Beneficial Association; Industrial Union of Marine and Shipbuilding Workers of America; and district No. 4, United Steelworkers of America.

We want to express our appreciation to this subcommittee for according us the opportunity to present our views on the necessary and desirable size and composition of the United States merchant marine.

If you will turn to the page following page 39, we will try to show you what we have in mind in this statement. It is the summary:

1. Our Nation has never been able to rely on foreign merchant ships in peacetime or in war. In all major wars, our allies depended on us for ships.

2. The cost of building merchant ships during a war is exorbitant and wasteful. Emergency-type ships are not useful for postwar needs.

3. A modern peacetime merchant fleet and shipbuilding industry must be maintained to meet the initial needs of war and capable of expanding to meet the full needs of an entire war. When there is a warning of war, our merchant fleet must start expanding to the size and composition needed during the war. Today, we have this warning, but we are not responding properly.

4. Our merchant fleet must be adequate to carry at least 50 percent of our foreign trade in peacetime. From past experience, we will carry close to 100 percent of our cargoes in wartime.

5. Our present commercial fleet should consist of 1,995 ships; 135 passenger and combination ships, 1,006 freighters, and 854 tankers.

6. The Military Sea Transportation Service must be taken out of competition with our privately owned merchant marine.

7. Foreign-flag ships owned by American companies must be brought under the American flag. Large United States corporations should not be permitted to use our governmental agencies to strengthen their foreign financial interests and weaken the security of the American people.

8. The poor quality and obsolete ships of our merchant marine should be scrapped and replaced by modern ships. This will keep our shipyards alive and our merchant marine modern.

We are not experts who can give you all of the technical answers required by your search. We will endeavor to express our point of view in a practical manner. We have read many views on the size and composition our merchant fleets should have been in, in the various phases of our Nation's history. The conclusion too often reached by the studies made in peacetime is that an adequate merchant marine is one which, without subsidy, can compete with foreign merchant marines with low construction and operating costs. This usually means no American merchant marine. On the other hand, during wartime, the conclusion of the same type studies is that only fools would have permitted our merchant marine to wither to the point of endangering our national security.

A good example of a study which had been considered most daring and almost outrageous was the Economic Survey of the American Merchant Marine, which was released by the United States Maritime Commission in November of 1937. In that survey, the Commission stated that in the event of a national emergency, our Nation's requirement in the early stages would be 1,000 fast ships, backed up by a reserve of 200 ships. This report was laughed at by many who professed to believe that we could fully depend on foreign allies for merchant fleets. This attitude was prevalent despite the clear historical record of World War I. We must recall that in World War I we, and our then allies, were nearly defeated because we did not have an adequate merchant marine. Even before we entered the war, we learned of the high cost of depending on foreign ships to carry our commercial cargoes. That is, when we could get foreign ships to carry them.

Prior to World War I, the United States permitted the merchant marine to wither away until our ships were carrying only 9 percent of our export and import trade. At the outbreak of war, we were in the

dangerous position of a neutral nation without ships. The foreign maritime nations withheld their ships and our Nation's foreign trade was left high and dry on our docks. In August 1913, the United States had exported 257,172 bales of cotton. One year later, in August 1914, we exported only 21,219 bales. The price of cotton fell from $62.50 a bale in July 1914, to $36.25 in December 1914, because it could not be delivered. All cargoes piled up on the docks, and the American producers and distributors of our export commodities faced ruin.

The British and neutral shipowners who did send their ships to our shores charged our shippers unbelievably gouging rates. Shipping rates increased up to 700 percent, even before our Nation engaged in the munitions trade. After the war became a full scale one, shipping rate increases of 2,000 percent were common. The average rate on general cargo increased 1,117 percent.

Senator POTTER. Mr. Haddock, would you yield there? In other words, what you are saying is that despite the fact that today foreign operators can and will underbid our operators in the shipment of cargo, if they removed the American merchant marine from competition, then our shipments will be fair game for any type of price increase they want to put into effect?

Mr. HADDOCK. Absolutely. That is the specific point I make. There are other conclusions that can be drawn from this.

Certainly, if you follow the trend of American merchant marines and of the economies of nations, you will find that when a nation is a great nation, and when their economy is sound and strong, they have a sound, strong merchant marine; when they do not have a strong economy, they do not have strong merchant marines.

It can certainly be drawn from that, that if you have a merchant marine, you can build your own markets, but if you do not have one, and are relying on ships of other nations, they are building their markets at your expense.

Before World War I, ships were chartered for $1 a ton. Two short months after the outbreak of the war, the charter rate was $13.88 a ton to areas outside of the war zone and $20 to $21 in war zones. These high shipping profits caused the demand for ships to soar. The sales price of ships rose to $300 a ton from the prewar price of $60 a ton. In fact, shipping profits were so high that many ships were completely paid for from the profits of one voyage.

Today many apologists for operating American ships under foreign flag claim that such ships are available to the United States. This is nothing less than misrepresentation of facts. Prior to World War I, the great bulk of American-owned ships had been registered under foreign flag. When the war broke out, most of these ships were not made available to the United States. Congress, under the guidance of the Wilson administration, hastened to enact legislation to alleviate this critical problem. In August 1914, a law was enacted which permitted Americans to register their foreign-flag ships under the American flag. Congress also enacted a law which provided insurance coverage for these ships.

These emergency acts had a strong effect in increasing the tonnage available to the United States. Despite this historical fact, the enemies of the American merchant marine still advocate foreign flags for American-owned ships. By July 1, 1915, 523,000 tons of shipping

had been transferred to the American flag. By 1917, this total was increased to 650,000 tons.

By the end of World War I, the United States possessed 2,547 merchant ships aggregating a total of 14,705,281 deadweight tons. The direct acquisition costs of these ships was $3,042 million. Of these ships, 2,316 were constructed by the Government at wartime costs of $2,951,807,000. The balance of 231 ships were acquired by purchases, seizures of enemy property, and transfer from other Government departments at a net cost of $126,194. The composition of that high-cost wartime fleet was as follows:

| | |
|---|---|
| Cargo | 1,866 |
| Tankers | 159 |
| Passenger | 63 |
| Transports | 23 |
| Colliers | 19 |
| Tugs, barges and other miscellany | 417 |
| Total | 2,547 |

President Wilson was greatly disturbed by the mistake our Nation had made in not maintaining a peacetime fleet adequate to service our foreign trade during war. In this third annual message to Congress, given in May 1915, he declared:

> It is high time we repaired our mistake and resumed our commercial independence on the seas. For it is a question of independence. If other nations go to war, or seek to hamper each other's commerce, our merchants, it seems, are at their mercy, to do with as they please. We must use their ships, and use them as they determine. We have not ships enough of our own. We cannot handle our own commerce on the seas. Our independence is provincial and is only on land and within our own borders.

After World War I, the 66th Congress made a full study of the role of the American merchant marine in peace and war. After studying the near disaster our Nation experienced because of the philosophy of depending upon foreign-flag ships instead of maintaining our own merchant marine, they passed the Merchant Marine Act of 1920. The conclusion they reached is evident in the strong language contained in the preamble of this law, which is as follows:

> That it is necessary for the national defense and for the proper growth of its foreign and domestic commerce that the United States shall have a merchant marine of the best equipped and most suitable types of vessels sufficient to carry the greater portion of its commerce and serve as a naval or military auxiliary in time of war or national emergency, ultimately to be owned and operated privately by citizens of the United States and it is hereby declared to be the policy of the United States to do whatever may be necessary to develop and encourage the maintenance of such a merchant marine, and insofar as may not be inconsistent with the express provisions of this act, the United States Shipping Board shall, in the disposition of vessels and shipping property as hereinafter provided, in the making of rules and regulations, and in the administration of the shipping laws, keep always in view this purpose and object as the prmiary end to be obtained.

In 1936, Congress reaffirmed its mandate that our Nation should develop and maintain a United States merchant marine adequate to service our foreign and domestic commerce and be available in national emergency. The preamble of this act is as follows:

> It is necessary for the national defense and development of its foreign and domestic commerce that the United States shall have a merchant marine (a) sufficient to carry its domestic waterborne and a substantial portion of the waterborne export and import foreign commerce of the United States, and to provide shipping service on all routes essential for maintaining the flow of such domestic

and foreign waterborne commerce at all times; (b) capable of serving as a naval and military auxiliary in time of war or national emergency; (c) owned and operated under the United States flag by citizens of the United States, insofar as may be practicable; and (d) composed of the best equipped, safest, and most suitable types of vessels constructed in the United States and manned with a trained and efficient citizen personnel. It is hereby declared to be the policy of the United States to foster the development and encourage the maintenance of such a merchant marine.

There is one important difference in those two preambles. The 1920 act called for sufficient ships to carry the greater portion of our commerce, and this act called for a substantial portion. While the substantial portion has been generally defined as at least 50 percent, the two phrases are quite different. We deal with that very point a little later.

With the outbreak of World War II, we still heard the argument that our allies had merchant fleets that were large enough to service the free world. Yet, after the outbreak of World War II, experience shows us that we needed many more ships than the number estimated by the Commission. In fact, the fleets of our allies were not available for our use, and we had to construct over 5,000 ships to meet the shipping needs of our Nation and our allies.

On September 1, 1939, the United States merchant fleet had 1,379 seagoing ships of 1,000 gross tons and over. The United States Maritime Commission, in November of 1937, had said that 1,200 ships would be adequate for our country in time of war. Again, the so-called experts claimed our country could depend on foreign merchant marines. Again, they were proved to be wrong, by 6,234 ships. By requisition title, the United States acquired 103, purchased 26, and chartered 16 foreign-flag vessels during World War II.

All theaters of World War II operations were overseas. Accordingly, our Nation was dependent upon ocean transportation in making its strength effective against the enemy.

The Axis Powers were well aware of that fact. They did all they could to destroy our merchant marine.

When Europe went to war in September 1939, the world ocean-going merchant shipping totaled 80 million dead-weight tons. Britain and France controlled approximately 27 million tons. The great portion of neutral shipping was available to the allies. At the outbreak of the war, the German blockade became effective immediately. During the 27 months prior to the entry of the United States into the war, about 16 million dead-weight tons were sunk by the Axis. During the same period, the combined output of the shipyards of the United Kingdom and the United States, which were almost the sole source of new merchant shipping for the Allies, was only 5 million dead-weight tons.

On December 1, 1941, the ocean passenger, dry cargo, and tanker vessels under the American flag aggregated about 11,600,000 dead-weight tons. German submarines appeared in the western Atlantic, the Gulf of Mexico, and the Caribbean, and ships moving coastwise were sunk within sight of our shores. American ships totaling 3,609,000 dead-weight tons were lost during 1942, the year of our heaviest casualties. Approximately 6,764,000 dead-weight tons of American ships were sunk during the course of the entire war.

For the entire war period, the losses of ships controlled or available to the Allies aggregated over 36 million dead-weight tons. Of these

losses, 733 were American merchant ships of over 1,000 gross tons and hundreds of smaller ships. Thus, the American loss was more than half the tonnage of our prewar merchant marine. The breakdown of the Allied merchant ship losses is as follows:

[Dead-weight tons]

| | Nontanker | Tanker | Total |
|---|---|---|---|
| Sept. 1939–Dec. 1941 | 13,700,000 | 2,600,000 | 16,300,000 |
| Year 1942 | 8,957,000 | 3,070,000 | 12,027,000 |
| Year 1943 | 4,342,000 | 977,000 | 5,319,000 |
| Year 1944 | 1,804,000 | 293,000 | 2,097,000 |
| Jan.-Aug. 1945 | 679,000 | 160,000 | 839,000 |
| Total | 29,482,000 | 7,100,000 | 36,582,000 |

During 1940 and the early part of 1941, there were several months when the allied shipping losses exceeded the combined ship construction of the United Kingdom and the United States by more than 500,000 dead-weight tons.

Considering the low ebb of American shipbuilding during the early 1930's, and the vital part which the American shipbuilding industry was called upon to play in the successful carrying out of the war, it was fortunate that this industry was kept alive before we entered the conflict. After the German forces had overrun Norway, the Low Countries, and France in the early summer of 1940, this fact was even more apparent and its implications became serious. Accordingly, in the fall of 1940, the British placed orders with American shipyards for 60 freighters. Early in 1941, the Maritime Commission ordered 200 more cargo carriers. By the end of 1941, the American shipbuilding program, including foreign and American orders, had been expanded to include about 1,200 ships aggregating about 14 million dead-weight tons. It was with the view of expediting the deliveries of British orders that a ship of simplified design was agreed upon. This gave birth to the Liberty ship, which was actually obsolete on the drawing board.

During the 5-year period 1941 to 1945, a total of 5,280 oceangoing vessels, aggregating over 54 million dead-weight tons, were delivered from American shipyards. The yearly breakdown of this total is as follows:

| Year | Number of ships | Dead-weight tons |
|---|---|---|
| 1941 | 105 | 1,165,200 |
| 1942 | 740 | 7,918,000 |
| 1943 | 1,719 | 18,561,400 |
| 1944 | 1,623 | 15,982,200 |
| 1945 | 1,093 | 10,597,300 |
| Total | 5,280 | 54,224,100 |

The breakdown by types of ships and tonnage is as follows:

| | Number of ships | Dead-weight tons |
|---|---|---|
| Standard cargo | 475 | 4, 694, 400 |
| Liberty ships | 2, 708 | 29, 182, 400 |
| Victory ships | 414 | 4, 491, 700 |
| Tankers | 678 | 10, 934, 200 |
| Military troopships | 245 | 1, 243, 700 |
| Other military types | 264 | 1, 791, 700 |
| Miscellaneous | 494 | 1, 886, 000 |
| Total | 5, 280 | 54, 224, 100 |

During the war period, British Empire shipyards delivered less than 11 million dead-weight tons. In fact, all of our allies upon whom the prewar experts had claimed we could depend for merchant ships supplied us with only 715,000 gross tons of ships. On the other hand, we delivered 5,500,000 gross tons to them.

Senator POTTER. In other words, rather than for us to receive great numbers of ships from our allies, we have had to supply them with a great number of ships?

Mr. HADDOCK. It has been shown by the two great wars we have been in. There are certainly no changes which have taken place since the end of World War II which would indicate anything but that would be true in the future. As a matter of fact, it would be, even to a greater extent.

Should we get into a war involving the one great power that war appears to be likely with at the present time, certainly none of the shipyards on the Continent or in the British Isles could be utilized. It just goes without saying.

Senator POTTER. You disagree with those who advocate that we should not be too concerned about maintaining an American merchant marine, and allow our allies to build up theirs, that that will be available to us?

Mr. HADDOCK. Actually, Senator, I more than disagree. I think people who advocate such a dangerous policy are either living in a dream world or are enemies of the United States. That is my very frank opinion.

The United States merchant marine delivered the goods to our fighting forces and allies overseas. The total cargo lift from the United States between December 7, 1941, and the surrender of Japan was 268,252,000 long tons, of which 203,522,000 were dry cargo and 64,730,000 were petroleum and other liquid cargoes. During the last year of the war, this meant an average rate of delivery of 8,500 tons of cargo every hour of every day and night. Our ships also carried the great majority of the 7,129,907 Army personnel and 141,537 civilians moving overseas between December 7, 1941, and November 30, 1945. During this same period, they carried 4,060,833 Army personnel and 169,626 civilians back to the United States. Because we were able to build up our own merchant marine during this war, we were able to deliver the goods needed to win the war. Also, we avoided the type of gouging we received during World War I. During World War II, general cargo rates increased only 70 percent, as compared to 1,117 percent during World War I.

Senator POTTER. That is interesting.

Mr. HADDOCK. Yes. This difference is most impressive when we note that the ship-operating costs during World War II were substantially higher than during World War I.

We have not tried to project the actual cost of these gouging rates to the American people, either from the viewpoint of cargo rates or ship-charter rates. But we do, later on, project them in shipbuilding rates, which will give a fairly good idea of what we wasted.

During World War II, many of our troops sailed to and from Europe aboard the British *Queen Mary* and *Queen Elizabeth*. From 10,000 to 15,000 troops were packed aboard each *Queen* for every trans-Atlantic voyage. Our British ally charged the United States Government $100 per soldier, or approximately $1 million to $1½ million gross for a one-way trip. During the war, the *Queen Elizabeth* carried 380,699 United States troops from the United States to Europe, and 104,369 from Europe to the United States. The *Queen Mary* carried 362,134 United States troops from the United States to Europe and 155,721 from Europe to the United States.

Senator POTTER. We paid for that ship; did we not?

Mr. HADDOCK. We surely did, over and again.

The total number of troops carried aboard the *Queens* was 1,002,923. At $100 per man, the United States Government paid $100,292,300 for the use of the *Queens*. Moreover, the United States supplied all the fuel and supplies, and the United States Army fed the troops. The total construction costs of both *Queens* was $50 million—approximately $25 million each. These costs were no doubt well covered by the profits made from carrying United States troops. This exorbitant charge is another good example of rate-setting by our allies when we find ourselves in a position of depending on them for a particular service. Instead of paying these exorbitant rates, our Government must provide for enough American-flag ships to adequately service our military needs.

At the above rates, it would not take long for our Government to pay the construction subsidy for an American passenger ship. For example, the direct construction subsidy for our newest United States passenger liner, the steamship *United States*, is $18 million. The cost to the Government for defense features on the ship is $32 million. We consider this a good investment in an American-flag passenger ship which will be able to transport 14,000 troops 10,000 miles at a world's record speed of over 35 knots per hour without refueling.

On November 2, 1945, Fleet Adm. Ernest King, Commander in Chief of the United States Naval Operations, wrote to Admiral Land the following:

> During the past 3½ years, the Navy has been dependent upon the merchant marine to supply our farflung fleet and bases. Without this support, the Navy could not have accomplished its mission. Consequently, it is fitting that the merchant marine share in our success as it shared in our trials.
>
> The merchant marine is a strong bulwark of national defense in peace and war, and a buttress to sound national economy. A large merchant marine is not only an important national resource; it is, in being, an integral part of our country's armed might during time of crisis. During World War II, this precept has been proven.
>
> As the merchant marine returns to its peacetime pursuits, I take pleasure in expressing the Navy's heartfelt thanks to you, and through you, to the officers and men of the merchant marine for their magnificent support during World II. All hands can feel a pride of accomplishment in a job well done.
>
> We wish the merchant marine every success during the years ahead and sincerely hope that it remains strong and continues as a vital and integral part of our national economy and defense.

Admiral King closed his letter with the wish that our merchant marine remain strong in the future, in order to preserve our national economy and defense. His advice, like the advice of other practical men, was subjected to the attack of post-World War II peacetime theorists who claimed that it was not necessary to revitalize our merchant marine with more modern ships. In fact, some theorists even went so far as to state that our merchant marine must be sacrificed in order to help close the dollar gap between foreign nations and the United States. They are topping off this argument with the wornout advice that our Nation in wartime can depend upon foreign merchant fleets and American-owned ships under foreign flag. This argument is heard even now while our merchant ships are again delivering the goods during a limited national emergency.

When the Korean war broke out, our allies were not in a position to provide the ships for that limited operation. Up to date in the Korean war, our merchant ships have delivered 80 percent of the cargoes to Korea. If an all-out war breaks out, our merchant fleet will be the only one we can fully depend upon. That is, of course, if we modernize our fleet and maintain it at an adequate size.

We entered both world wars with inadequate merchant shipping. We were required to build additional ships for ourselves and our allies upon whom we were relying for shipping. It should be clear even to a novice that this condition has not changed. Indeed, it appears to us even more serious than heretofore. Certainly, if we are engaged again in a war that involves the European countries, we will be required to build all of their ships for them.

The above facts prove that the United States can fully depend only upon ships flying the American flag in world emergencies before and during the time we are involved.

The 1936 act eliminated the undesirable, indirect ship-operating subsidy which was disguised as compensation for carrying mail. It provided direct subsidy for the construction of ships in United States shipyards and for the operation of certain American ships in the regular berth services. The subsidy is paid to bring about parity between the United States shipbuilders and operators and the foreigners who operate their business in low-standard-of-living countries. The operating subsidy does not guarantee profits to a shipping company. It is paid strictly on a parity basis. Moreover, there is a recapture section in the law which provides that one-half of all profits in excess of 10 percent of the capital employed in the business over a 10-year period are recaptured up to the amount of subsidy paid. This recapture provision is not contained in any other Government-subsidy program.

During the first 10 years of receiving operating subsidies, 4 out of the 12 recipient companies returned all of the operating-subsidy money they had received. During this period, the remaining 8 companies returned a substantial portion of the funds that had accrued to them. Of the total $88 million paid out as operating subsidies for these first 10 years' accounting period which ended December 31, 1948, the Government had recaptured $52,500,000. Thus, the companies retained only $35,515,800. Excluding the five wartime years from April 1942 to December 1946, during which subsidies were suspended, the cost of operating subsidy to the taxpayers was approximately $6 million a year.

Senator POTTER. That is something very few people realize. They feel that the operating subsidy is something that is gone. There is not one out of a thousand that recognizes the Government has a recapture clause and recaptures a majority of the funds that we put into the subsidy program.

Mr. HADDOCK. I would say only those people who are closely associated with the industry actually realize that is true. That can can be attributed, I think, to the fact that the enemies of the American merchant marine here in the United States, and the enemies of it in foreign countries, who are expected to give it any bad word they can, have done a very good job of misrepresentation of facts.

During these same 10 years, the Government provided $1,205,645,000 subsidy for dairy production; $524,195,000 to the sugar industry; $132,694,000 for potatoes; and $67,635,000 for cheddar cheese. The total agricultural subsidies amounted to $2,104,192,000. This is a sharp contrast to the $35,515,800 operating subsidy paid to the American merchant marine. It should be clear that we are not criticizing farm subsidies. We are simply stating these facts so that the value of a merchant-marine parity can better be understood.

Mr. DREWRY. Mr. Haddock, on these agricultural subsidies, are there also tariffs on those commodities?

Senator POTTER. I know there are on your dairy products. It is not a tariff. It is more or less an embargo.

Mr. HADDOCK. That has varied considerably during this period that we are referring to. I know that it has been increased in the last few years. I am not sure whether it existed for all of those years. It did vary.

Mr. DREWRY. I was thinking that the subsidy was a sort of tariff in reverse; that if you got both a tariff and subsidy you should take into account the effect of the tariff itself.

Mr. HADDOCK. Exactly. I know a tariff did exist on some of these during some of this period. I know that it exists on all of them at the present time. Those farm products that are now receiving direct subsidy aid from the Government are also receiving tariff aid.

Senator POTTER. Do you have in your statement any figures as to the indirect subsidy through the mail contracts with the airlines, for example?

Mr. HADDOCK. We do not have. We could furnish them.

(The information referred to follows:)

The degree of subsidization varies widely among classes of carriers. Some receive a high proportion of subsidy, while many of the domestic trunklines are now paid on the basis of rates determined by the Board to be subsidy free. For the industry as a whole, the subsidy element of the mail payments exceeds the compensatory element. As indicated by the table below, the subsidy amounted to over $71 million out of total mail payments of $123 million in the fiscal year 1952, or 58 percent. Nearly two-thirds of this subsidy went to international and territorial carriers. For the fiscal years 1953 and 1954, the subsidy element in mail payments is estimated by the Civil Aeronautics Board at nearly $80 million annually.

*Mail payments to air carriers, fiscal year 1952, with estimated division between subsidy and compensation for transportation services*

| Type of carrier | Compensation for transportation of mail | Subsidy | Total | Subsidy as percent of total payments |
|---|---|---|---|---|
| Domestic: | *Thous. of dols.* | *Thous. of dols.* | *Thous. of dols.* | |
| Nonsubsidized trunklines [1] | $25,443 | | $25,443 | |
| Subsidized trunklines [1] | 6,300 | $6,515 | 12,815 | 51 |
| Local service (including helicopter) | 2,001 | 19,498 | 21,499 | 91 |
| Total domestic | 33,744 | 26,013 | 59,757 | 44 |
| International and Territorial | 17,769 | 45,343 | 63,112 | 72 |
| Total | 51,513 | 71,356 | 122,869 | 58 |

[1] 5 trunklines receiving subsidies in fiscal year 1952 have since moved into the nonsubsidized category.

Senator POTTER. That is a subsidy program. Personally, I would like to see it separated and put it out in the open as a direct thing as to what it is, as you do with the merchant marine.

Mr. HADDOCK. The CIO has been advocating that in regard to the airlines, have it put on a direct basis, for a number of years, and has supported the number of bills that have been introduced in Congress to achieve that purpose.

There is a tremendous difference between the subsidy paid to the airlines and the merchant marine. No. 1, the subsidy to the airlines is not on a parity basis. It is paid and a profit is guaranteed, while the merchant marine is on a strict parity basis, where you can lose money, and some companies do frequently lose money.

In addition to that, if they make money in excess of 10 percent, they have to return the subsidy to the Government. So, it is a vastly different type of subsidy program, which, again, most people do not realize.

For example, about 2 or 3 years ago they had a shift in the Bureau of the Budget personnel. The personnel who were handling the maritime budget were shifted to another section, and some of the people who had been handling airline subsidies were shifted to maritime. About 6 months after that shift took place I had a meeting with the new personnel. For the first time they learned that, even after having been there for 6 months, the merchant-marine companies were not guaranteed a profit, but on the other hand, had to return portions of their profit to the Government.

Certainly, with a well-informed personnel group such as the Bureau of the Budget not realizing that, you can imagine what the American people must not realize about the situation.

Senator POTTER. Other subsidy programs have been more or less hidden by mail contracts. I assume that they feel the public is not as concerned or alarmed about calling it a mail contract as they would be about calling it a direct subsidy. I have been concerned with the airlines' mail contracts. The Postmaster General has no control over the amount of those mail contracts.

Mr. HADDOCK. Not only does he not have any control over it but he is constantly trying to balance his own budget at the expense of the people who use the mails and the parcel post. As a matter of fact, there is a bill in Congress right now to increase all postal rates of all

types for the purpose of wiping out the deficit of the Post Office Department, which in large part is made by the airmail subsidy.

I am certainly not opposed to the airlines being subsidized. I think in the foreign commerce it is very desirable. As a matter of fact, under certain conditions in our domestic commerce it is desirable.

I agree with you 100 percent that it ought to be spelled out in dollars and cents, so you can see it without having an accountant go through and pick it out for you.

Mr. DREWRY. Mr. Haddock, is there a great disparity between the operating cost of a foreign airline as against an American airline, and as against an American shipping line as against a foreign shipping line?

Mr. HADDOCK. Yes. The difference between pay of the personnel runs just about the same.

Senator POTTER. The personnel is not as great as is involved in the shipping?

Mr. HADDOCK. That is right. It is very small. You recall to my mind a specific situation. The differential between pay of each classification runs just about the same. However, the differential between the overall pay on the two airlines is not as great because the foreign airline carries more personnel than the American airline carries. For example, the foreign airplane will have a radio officer and two additional people in the catering service, normally. That is on the very large ones. So that the overall differential for pay is cut down appreciably because of that.

I think, however, that that is probably a temporary situation that will be corrected by the bringing about of closer manning by the Europeans by cutting down on their manning scales.

The Merchant Marine Act of 1936 called for a merchant marine adequate to carry a substantial portion of our domestic and foreign commerce and for our national defense. The Government has not provided sufficient subsidy to maintain such a fleet to date.

Our World War I building program cost $2,951,807,000. Had these ships been built prewar, they would have cost about $840 million. The war-built ships were inefficient; they were not available when needed, and many of them never saw war service. We estimate that a fleet consisting of 8 million dead-weight tons of efficient ships would have been adequate for our World War I needs. This would have cost us a maximum of $500 million prior to World War I.

In other words, a sound maritime policy would have saved a minimum of $2.5 billion in ship construction alone. The effort and materiel which went into the wartime program would have been available to other phases of the effort. We would have saved a very large amount in exorbitant rates. More important, the men and supplies would have been delivered as required, the war shortened—thereby saving additional millions in money and thousands of lives, on which we can place no value.

Mr. DREWRY. You say that many of these ships never saw war service. Is it not a fact that most of them did not?

Mr. HADDOCK. I know that none of the Hog Island ships saw war service. They were the largest number constructed. I do not think that the west coast ships saw war service. Whether or not there were others that did see war service, I just do not know. But certainly the bulk of them did not see service in World War I.

Mr. DREWRY. The West ships and the Hog Islanders were sort of the Liberties of the World War I building program; were they not?

Mr. HADDOCK. I would say the Hog Island were the Liberties. The West ships were better constructed ships, I think.

Mr. DREWRY. Neither of those classes saw any war service at all?

Mr. HADDOCK. No; they did not. As a matter of fact, many of them saw service in World War II. They, too, were obsolete when built, incidentally.

The West ships were all reciprocating engines. I do not remember about the Hog Island ships, whether they were turbine or not. I know some of them were. Whether all of them were or not, I do not remember.

During the first 10 years—1936 to 1946—of operating under the 1936 act, the yearly operating differential was about $30,000 per ship per year. We could have operated a fleet of 1,000 efficient ships for 20 years prior to World War I and still have been almost $2 billion ahead, after considering the possible savings in construction costs.

The United States built 54,224,100 dead-weight tons of merchant-type ships during World War II. The cost was about $12.5 billion The same cargo-carrying capacity could have been built into a fleet of 40 million dead-weight tons before World War II at a cost of about $4 billion. With this saving of $8.5 billion in ship construction, we could have operated and had available an additional 2,000 modern ships at the outbreak of the war. In addition, we would have saved about $7.3 billion, large amounts of critical materials, time, and countless lives.

With present-day high operating differentials, we could operate a fleet of 2,000 efficient vessels for more than 25 years on such a saving. Should war strike, we would have the ships to deliver the goods. There would be no need to build such ships at new, inflated prices. Manpower and materials would be available to other programs. Shipbuilding for another war would cost less money, consume shorter time and save thousands of lives.

The people who failed to carry out an adequate merchant marine program between World Wars I and II are responsible for this great waste of lives, material, and money. We know how to avoid a repetition of such a blunder. Failure to do so can mean only that those responsible are working against the interest of the United States.

In our analysis of the adequacy of our merchant marine, we shall endeavor to arrive at the approximate necessary size and composition of the commercial merchant marine. In so doing, we realistically consider the present and foreseeable world political and economic conditions and the effect upon the volume of our foreign trade. In our opinion, it is erroneous to draw conclusions from theories based on such abstract terms as "normalcy" in world affairs and world trade. We are facing a problem which should and can be solved by practical observations. The size of the commercial fleet will vary as world conditions vary. We cannot control the number by wishful thinking.

At the very outset, we wish to make it clear that we do not believe that our Nation can at all times maintain an active peacetime merchant marine, backed up by ships in reserve, sufficient to completely service our Nation and allies during war. Based on our experiences during World War II, we estimate that our Nation will require at

least 6,000 modern ships in the event that we enter another all-out war. A strong merchant marine is one of the most potent tools of peace. Historians have laid considerable stress on the United States being embroiled in World War I because the Germans felt that we could not deliver the supplies or the men. The same was true in World War II. We have previously demonstrated that it would be most economical and efficient to have all the ships required for war when we are forced into one. Not knowing when this is, we must be sure that we leave no stone unturned to at all times maintain a modern merchant fleet and a shipbuilding industry capable of providing the immediate initial war requirements and capable of expanding to meet the requirements during the entire war.

Our merchant marine should consist of modern ships carrying at least 50 percent of our export and import trade. We believe that one of the gravest errors contained in the Merchant Marine Act of 1936 is the language in the preamble which states that our merchant marine must be "sufficient to carry a substantial portion of our foreign trade." "Substantial" is a word which is subject to many interpretations.

We are certain that Congress meant that our merchant marine must carry at least 50 percent of our foreign export and import trade. This is confirmed by congressional mandates that American bottoms should carry at least 50 percent of the cargoes provided under our foreign economic and military aid programs. This 50 percent provision was contained in the following programs:

1. Economic Cooperation Act of 1948, and the Economic Cooperation Act Amendments, 1949 (Public Law 47, 81st Cong.).
2. Korean Aid Act (Public Law 447, 81st Cong.).
3. Yugoslavia Emergency Relief Assistance Act of 1950 (Public Law 897, 81st Cong.).
4. India Emergency Food Aid Act of 1951 (Public Law 48, 82d Cong.).
5. Mutual Defense Assistance Act (Public Law 329, 81st Cong.).
6. Mutual Security Act of 1951 (Public Law 165, 82d Cong.).
7. Pakistan wheat bill (Public Law 77, 83d Cong.).

In Public Resolution 17, the 73d Congress, stated that all cargoes financed by the Reconstruction Finance Corporation, or by any other instrumentality of the Government, should be carried in American bottoms when available at reasonable rates. Instead of requiring American bottoms to carry all of the cargoes financed by the Import-Export Bank and other Government instrumentalities, Government agencies have provided that American bottoms carry at least 50 percent of these cargoes. We are in agreement with this interpretation because it fits into the implied definition of the "substantial portion" of our foreign export and import trade to be carried in our ships in order to achieve and maintain an adequate United States merchant marine.

Mr. DREWRY. How would you view a consolidation into one general law a provision relative to the carriage of foreign aid programs rather than have to get into the type of debate that was on the floor of the House recently on the Pakistan bill, where the main issue was wheat, but the main debate revolved around the carriage of the 50–50?

Mr. HADDOCK. We view such a move as highly desirable. As a matter of fact, we have advocated it for a number of years, and have seen several bills introduced trying to achieve that very purpose.

In addition to avoiding the waste of time of Congress on this question each time one of these measures came up, it would provide a sound yardstick for our own merchant companies, our shipping companies, to gage their business by. It would permit the establishment of personnel in one of the agencies to administer such a provision over a long-range period, and give them the experience necessary to avoid many of the errors and many of the hardships that have been caused in the administration of these acts in the past under the 50-percent provision.

We think it is highly desirable. The bill that we advocated would require that 100 percent of these cargoes be carried in American bottoms, and then permit the administrative agency to waive up to 50 percent of their carriage to specific nations under specific conditions.

That 50-percent waiver under the bill we advocated would be withheld if that nation were in a position of discriminating against our merchant marine under varying conditions.

Senator POTTER. I am wondering, in a bill of that kind, if it might not be desirable also to include that it is the sense of the Congress that the word "substantial" means at least 50 percent of our export and import trade being carried in American bottoms. I wonder if that also could not be a part of the bill which we are discussing now.

Mr. HADDOCK. Actually, that expression becomes a very specific and practical expression in the bill we advocated, because it would not permit of carrying less than 50 percent under any conditions, and normally require 100 percent.

Senator POTTER. I was speaking more of private shipments rather than Government shipments.

Mr. HADDOCK. Yes.

Senator POTTER. If it would be along with that that it was the expression of Congress that the "substantial" means at least 50 percent of our export and import trade be conducted in American bottoms.

Mr. HADDOCK. It would be very helpful, absolutely.

Senator POTTER. I think that would clear up the interpretation of what we mean by "substantial" in the 1936 act.

Mr. HADDOCK. We feel that is extremely desirable, and I know it would be very helpful if we could get that sort of a law.

Mr. DREWRY. There is no law at the present time on import programs, is there, that has a provision in relation to the 50–50 arrangement?

Mr. HADDOCK. No. Our strategic-materials program is a good example of that. The General Services Administration brings it in as they see fit. What portion of it that is brought in in American ships, as compared to foreign ships, I have never seen any figures on. In fact, I do not know if they have any. We have discussed the question with people in General Services on a number of occasions. I know that the representatives of the steamship companies are in constant contact with them.

I know that frequently they disregard the wishes of the American companies to try to get some of that cargo, when in many instances it means the difference in returning in ballast to the United States.

Mr. DREWRY. It is a little harder to nail that down with the nation from which the material is procured because, they would have quite a bit to say about how the material moves?

Mr. HADDOCK. I can say this without any fear of contradiction whatsoever, that the other maritime nations of the world, when operating a program such as this, never permit 1 pound of such procurement to go in anything other than their own flag vessels.

Mr. DREWRY. Then, of course, a great deal of the strategic materials do not come from maritime nations.

Mr. HADDOCK. That is true. I think it would be highly desirable to obtain from General Services just what the division of these strategic materials is between American-flag and foreign-flag vessels.

Senator POTTER. That is information we will request.

Mr. HADDOCK. In January of 1953, American-flag ships carried only 25.8 percent of our foreign trade. This is only one-half of the goal we are striving for.

On November 1, 1952, the Secretary of Commerce submitted a report entitled "American Merchant Marine and the Federal Tax Policy" to the President of the United States. This report very thoroughly covered the importance of an American merchant marine for our national welfare and defense. Based on a study of the commercial needs of our Nation, the report stated that our merchant marine should consist of 2,256 ships of 25,833,000 dead-weight tons. Of this number, 1,856 ships of 21,982,000 dead-weight tons are for oceangoing requirements and 400 ships of 3,851,000 dead-weight tons for the Great Lakes.

The table showing the breakdown of this projection is as follows:

*Composition of projected American merchant marine adequate for United States oceanborne and Great Lakes trades*

[Tonnage in thousands]

| | Total ships | | Passenger and combination | | Freighters | | | Tankers | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Gross | Number | Gross | Number | Gross | Dead-weight tons | Number | Gross | Dead-weight tons |
| Total | 2,256 | 17,243 | 83 | 830 | 1,667 | 11,607 | 17,317 | 506 | 4,806 | 7,686 |
| Oceangoing | 1,856 | 14,727 | 72 | 790 | 1,300 | 9,200 | 13,600 | [1] 484 | 4,737 | 7,592 |
| Domestic | | | 10 | | 205 | | | | | |
| Foreign | | | 62 | | 1,095 | | | | | |
| Liner | | | 62 | | 430 | | | | | |
| Tramps | | | | | 200 | | | | | |
| Ready reserve for foreseeable future | | | | | 465 | | | | | |
| Great Lakes | 400 | 2,516 | 11 | 40 | 367 | 2,407 | 3,717 | 22 | 66 | 94 |

[1] Interchangeable between domestic and foreign trade.

We submit as exhibit I that section of the American Merchant Marine and Federal Tax Policy which explains the above-projected size of the American merchant marine.

The Maritime Administration is responsible for advising the Secretary of Commerce on maritime matters. Since the report was written by the Maritime Administration staff, we accept the report as one which was written by technical experts. We are quite certain that they have spent considerable time and effort before arriving at their conclusions.

We agree with the Secretary of Commerce when he states that our foreign trade in the future will expand and not contract. We do not doubt that our prosperity as well as world peace will largely depend on the ability of nations to increase their trade with other nations. This will become more important as our Nation is compelled to import greater quantities of raw materials and export more finished products. The Mesabi Range is being rapidly depleted of iron ore. In the near future, the United States will be compelled to depend upon the importation of iron ore from the rich mines of such countries as Labrador and Venezuela. In turn, we will have to export more machinery and tools to the countries that are just beginning to become industrialized. This type of foreign trade will enable the entire world to increase the standards of living. At the same time, it will teach the people that peace and prosperity are most available to those who cooperate with other nations in the efficient production and distribution of wealth.

We were quite disappointed in the fact that the Secretary of Commerce did not go far enough in his projection of the desired size of an American merchant marine. He sidestepped two issues which are most vital to achieving and maintaining an adequate United States merchant marine. The first issue is the encroachment of the military into the commercial maritime industry. The second is the dangerous practice that some of our wealthiest corporations have of maintaining large numbers of ships under foreign flags. This is especially appalling when the ships are registered under such runaway flags as Panama, Honduras, and Liberia. We shall later discuss our views on these two points in some detail.

In our analysis we have limited ourselves to studying the needs of our oceangoing merchant marine. We have excluded the Great Lakes fleet because we feel that it is a problem which is great enough to warrant a separate study. In fact, we believe that the Maritime Administration and the Department of Defense should submit a detailed report pertaining to the adequacy of the Great Lakes fleet to your subcommittee.

We believe that our present active commercial oceangoing merchant marine should consist of 1,995 ships aggregating 25,815,000 deadweight tons. The breakdown by types of ships is as follows:

*Projected American oceangoing merchant fleet consisting of ships of 1,000 gross tons and over (excludes Great Lakes)*

[Tonnage in thousands]

| | Total ships | | Passenger and combination | | Freighters | | Tankers | |
|---|---|---|---|---|---|---|---|---|
| | Number | Dead-weight tons | Number | Gross tons | Number | Dead-weight tons | Number | Dead-weight tons |
| Total | 1,995 | [1] 25,815 | 135 | 1,627 | 1,006 | 10,606 | 854 | 13,582 |
| Domestic | | | 10 | | 205 | | | |
| Foreign | | | | | | | | |
| Liner | | | 125 | | 601 | | | |
| Tramps | | | | | 200 | | | |

[1] The passenger- and combination-ship tonnage in gross tons.

We estimate that our passenger and combination fleet should consist of 135 ships aggregating 1,627,000 gross tons. One hundred and twenty-five of these ships are for our liner services in foreign trade and 10 for our domestic trade.

We have accepted the Maritime Administration's basic figures of 62 passenger and combination ships for our foreign trade and 10 ships for our domestic trade, excluding the Great Lakes. The aggregate tonnage of these 72 ships is 790,000 gross tons.

Officials in the Maritime Administration have advised us that they have made a careful study of the needs of the various trade routes. Their figures closely jibe with the number of United States-flag passenger and combination ships in foreign-trade operation in 1939. In the period 1931 to 1940, our passenger fleet was larger than it is today. In that period, there was an annual average of 481,720 passengers arriving in the United States by sea, and 498,230 departing from the United States by sea. This was an average annual total of 979,950 passengers carried to and from the United States by sea. In 1950 there were 601,543 passengers arriving in the United States by sea, and 467,105 departing from the United States by sea. This was a total of 1,068,648 passengers carried to and from the United States by sea. In 1951, a total of 946,495 passengers were carried to and from the United States by sea. Thus, the number of passengers traveling to and from the United States is the same today as it was in the 1930's. However, our present passenger fleet is smaller than it was in the 1930's. Our passenger vessels cannot meet the demand for space at present. In 1939, for example, our passenger and combination fleet consisted of 62 ships of 590,000 gross tons. This number of ships and gross tonnage is in line with the 62 ships recommended by the Maritime Administration.

Mr. DREWRY. I was looking at this chart on page 24. Could you turn back to that? I do not quite understand it. Under "Passenger and combination" vessels is the only place you have any figures at all. Do you have similar breakdowns for the tankers and freighters?

I see you have 200 passenger and combination tramp ships, for instance, as I read the chart.

I would assume that would be under the freighters.

Mr. HADDOCK. Well, they are not shown there. The freighters are shown in your totals up at the top.

Mr. DREWRY. Just for example, you have 200 tramps listed under passenger and combination, but they are not to be passenger and combination ships.

Mr. HADDOCK. They are not passenger and combination.

Mr. DREWRY. I wonder if there is an error in that chart which you might correct.

Mr. HADDOCK. There is certainly an error in putting it in there.

Mr. DREWRY. You say there is an error?

Mr. HADDOCK. Yes.

Mr. DREWRY. Would you want to correct that?

## STATEMENT OF BEN J. MAN, RESEARCH CONSULTANT, CIO MARITIME COMMITTEE

Mr. MAN. Yes, that "601" and the "200."

Mr. DREWRY. Do you have your other ships broken down into these different categories? On this particular table, the only breakdown you have is under the "Passenger and combination." You do not, for instance, show the total number of freighters that would be in the domestic trade and the total number in foreign?

Mr. MAN. That is explained a little later on, Mr. Drewry. It does show 205 in the "Gross tonnage" under the "Passenger and combination" column, which also moves under "Freighters." That shows that domestic freighters would be 205. That is the Maritime Administration's projection, which we have accepted.

Mr. DREWRY. You say that is shown elsewhere in here?

Mr. HADDOCK. It is explained in the text.

Mr. MAN. That whole column on the gross tonnage should be shifted over under "Freighters" as the first column. There is a typographical error.

Mr. HADDOCK. At the present time, the Military Sea Transportation Service is operating 63 passenger-type ships aggregating 837,000 gross tons in their so-called nucleus fleet. These ships are operated by the military to transport troops, troop dependents, civilian employees of Government agencies, contractors employees, et cetera. Most of these ships are operated between points which are serviced by privately owned merchant ships.

A short time ago, we submitted detailed testimony to your committee pertaining to the encroachment of MSTS into our maritime industry. Therefore, we will not burden you with a repetition of what we have already said. However, we wish to repeat that we believe that our merchant marine should transport our troops, their dependents, and all passengers now carried by MSTS. This will strengthen our merchant marine and, at the same time, make some naval officers available for our combat ships where they belong and are really needed.

Mr. DREWRY. Your testimony that you submitted earlier was on what bill? Do you remember the number of it, just as a matter of reference for the record?

Mr. HADDOCK. I am not sure there was a bill in evidence. It was the hearings conducted by the similar subcommittee in the previous Congress, which Senator Magnuson presided over. A bill was introduced, I believe, after the hearings instead of before. It is in those hearings.

Mr. DREWRY. In the 82d Congress?

Mr. HADDOCK. Yes.

Senator POTTER. It is your contention that the cargo and passengers that are now being transported by MSTS could be transported by commercial liners?

Mr. HADDOCK. Absolutely. We can see literally no justification for the military transporting passengers and cargoes.

Mr. DREWRY. Not any?

Mr. HADDOCK. Not one. The only time I would—well, I cannot justify any of it. If there should be the necessity of transporting troops or cargoes to some place where they cannot obtain commercial

ships to carry it, then it should transport it. But if we reach the point where they cannot obtain commercial ships to transport their stuff, we ought to examine the heads of our commercial operators to find out what is wrong with them. That is my contention, very simply.

Senator POTTER. In other words, you do not believe in a half a loaf; you believe in a whole loaf?

Mr. HADDOCK. I believe in a whole loaf. We cannot have a half merchant marine. Experience has shown that. We have to have a whole one. I feel quite strongly that our Navy, our Army, and our Air Force have a big specific job to do, a bigger job than they are capable of doing, and they need all of their resources to do that job. They need all of the help of the American people and of the American industry to accomplish that job. There is only one way to get it, and that is for them to stick to the things that they are best suited to do, and let American industry do the things that it is best suited to do.

Senator POTTER. You think when certain emergencies come along, such as the Korean emergency, the ships could be pulled out of the reserve fleet and operated by American operators, private operators, just as well as for the Government to do it?

Mr. HADDOCK. No, I would not say "just as well"; I would say far better. Experience has shown that they operate them far better. It would be very interesting to see an efficiency chart on the utilization of ships by MSTS. I think you would probably have your eyes opened, if you could get it. I know from the experience of World War II, and from the experience that is going on now, some of the things we know of that have happened with their ships, that no commercial operator would permit such wastefulness. War, in itself, is synonymous with waste. I think the military, by their training and by their experience——

Senator POTTER. Are not the most frugal people?

Mr. HADDOCK. They just do not have the makeup to be efficient operators. I am not saying that critically. That is part of their makeup. They want to get the "mostest" there in the "soonest" in the "greatest."

Mr. DREWRY. You want that to be done, too?

Mr. HADDOCK. We want it to be done, too. But they go about it in a different way. For example, take the operation of a ship. Well, to them, it is most efficient to have three men doing every job. In case there is a casualty, they still have a man to do the job. Well, a steamship company simply looks at it differently.

Experience has shown, certainly in the 2 wars that we have been in, or the 3 wars, counting the Korean war, which is probably as great a war as World War I from the viewpoint of logistics, the commercial companies have done the job better and cheaper than the military can do it.

Our freighter fleet should consist of 1,006 ships aggregating 10,606,000 dead-weight tons.

We have accepted the basic Maritime Administration estimate of 205 freighters for our domestic trade, excluding the Great Lakes; 430 ships for our foreign-liner services; and 200 tramp ships. The aggregate tonnage of these ships is 8,950,030 dead-weight tons.

The only part of the above estimate which can be considered controversial is that pertaining to the tramp fleet. The Maritime Administration accepted the recommendation contained in Report of the Tramp Shipping Committee to the Maritime Commission. This report was dated August 5, 1949. The report stated that 200 American tramp ships were required if 50 percent of our postwar foreign trade were to be carried by American ships. The report has been a controversial one since it was released.

On June 16, 1953, Rear Adm. R. E. Wilson, deputy commander of the Military Sea Transportation Service, advised your subcommittee that a United States tramp fleet should be maintained. This is further support to the position taken by the Maritime Administration.

We accept the estimate of 200 tramp ships as the number required if our ships are to carry at least 50 percent of our exports and imports. However, we believe that the experts in the Maritime Administration should conduct an up-to-date study in order to arrive at the necessary number of tramp ships for our merchant marine.

Senator POTTER. Do you know when the study was taken by the Tramp Committee that reported to the Maritime Board?

Mr. HADDOCK. I believe it was 1946 or 1947. I thought I pointed that out.

Senator POTTER. Yes; August 1949 the record was submitted.

Mr. HADDOCK. That is right. That study covered a 3- or 4-year period.

Mr. DREWRY. That report was not adopted officially by the Maritime Commission, was it?

Mr. HADDOCK. No; it was not.

In our estimate, we have included 96 freighters, aggregating 1,056,000 dead-weight tons, which are now being operated by the Military Sea Transportation Service in their nucleus fleet. These ships should be operated by commercial operators. MSTS should operate only those ships which are combat auxiliary ships that service the naval combat ships under combat conditions. There is as little need for the military to operate commercial-type ships as there is for their operating railroads, automobile and airplane factories, etc.

In our freighter estimate, we include 75 dry-cargo ships, aggregating 599,682 dead-weight tons, which are operated under foreign flags and owned by subsidiaries of American companies. Sixty-two of these ships, aggregating 363,082 dead-weight tons, are in actual operation. Thirteen ships, aggregating 236,600 dead-weight tons, are being constructed and will be registered under foreign flags.

*Ships of 1,000 gross tons and over under foreign flag and owned by affiliates of parent companies incorporated in the United States, as of Jan. 1, 1953*

| | Seagoing dry cargo | | Seagoing bulk and ore carriers | |
|---|---|---|---|---|
| | Number of ships | Dead-weight tons | Number of ships | Dead-weight tons |
| Presently operated | 52 | 244,833 | 10 | 118,249 |
| Under construction for foreign flag | 2 | 4,000 | 11 | 232,600 |
| Total | 54 | 248,833 | 21 | 350,849 |

Source: U. S. Maritime Administration.

All of the bulk and ore carriers in our table are owned by affiliates of large American corporations. The following table gives the ownership of these ships:

*Bulk and ore carriers of 1,000 gross tons and over under foreign flag and owned by affiliates of major United States companies*

| Name of company | Presently operated | | Under construction for foreign flag | | Total operating and construction | |
|---|---|---|---|---|---|---|
| | Number of ships | Dead-weight tons | Number of ships | Dead-weight tons | Number of ships | Dead-weight tons |
| Aluminum Co. of America | 2 | 18,000 | 5 | 80,000 | 7 | 98,000 |
| Bethlehem Steel Corp | 2 | 15,236 | 2 | 63,000 | 4 | 78,236 |
| Republic Steel Corp | 3 | 57,250 | 4 | 89,600 | 7 | 146,850 |
| United States Gypsum Corp | 3 | 27,763 | | | 3 | 27,763 |
| Total | 10 | 118,249 | 11 | 232,600 | 21 | 350,849 |

Source: U. S. Maritime Administration.

There is no excuse in the world for such companies as the Aluminum Corporation of America, Republic Steel Corp., Bethlehem Steel Corp., or any other large American company to own and operate their ships under foreign flags.

It is paradoxical that the large companies that dodge paying American taxes are the same ones having large foreign holdings which require the protection of our Government. To realize a few more dollars in profits, these companies man their ships with alien seamen from low standard-of-living countries. Unlike our seamen, the seamen sailing these ships are not screened for loyalty. Should an all-out war break out, we can only hope that these ships will be available to the United States.

Mr. DREWRY. Are these ships in this table under the runaway flags that you mentioned, Mr. Haddock?

Mr. HADDOCK. Yes, they are.

Mr. DREWRY. Those runaway flags, I believe, are also the flags of nations which I believe Admiral Wilson referred to as being under effective control.

Mr. HADDOCK. You know, I think that is about the silliest idea that a person can get. We came out of World War II where we see vessels under these very flags, manned by foreign seamen, not available to the United States. Any responsible person who can look back at the hindsight we have—and I am certainly one to admit that hindsight is better than foresight with me—but you can look at this clear experience of American-owned ships under those runaway flags, if you will, under Panamanian flag, yet not available to the American Government because they were manned by crews of the countries that we were fighting.

The Maritime Administration transferred a ship just last week. That ship is going to be manned principally by Italians. Well, now, the greatest incidence of Communists on ships are Italians and French. If anyone in his right mind can think that a crew which is predominantly Communist is going to turn those ships over to the allies, should we get into a war with the Soviet Union—I do not know, maybe it is my brain processes that are bad. But I cannot, for the

life of me, conceive of those ships being available to the allies unless they are covered with warships all the time, and then I am not sure that they would not be sunk.

Senator POTTER. This American-owned ship was allowed to be registered under the Italian registry?

Mr. HADDOCK. She was actually sold to the Home Line. I think it is a foreign corporation. I am not sure. It may be an American corporation. Anyway, she went to the Panamanian flag, I believe.

Ben, do you recall what flag she went to?

Mr. MAN. It is Panamanian registry, but I do not know if the Home Line is a subsidiary of an American corporation or not. We could find out for you.

Mr. HADDOCK. I just do not know how people can arrive at those conclusions at all.

Senator POTTER. In other words, it is your feeling, which is a contradiction to Admiral Wilson's testimony, that ships registered under Panamanian flag, or Liberian flag, or whatever it might be, those ships are not ships we can depend on in an emergency?

Mr. HADDOCK. Absolutely not. The only way we can depend on one of them is if they are manned by American seamen.

Mr. DREWRY. What do you mean by "runaway flag"?

Mr. HADDOCK. Well, these are flags of convenience, if you will.

Mr. DREWRY. It is the operator who runs away, and not the flag?

Mr. HADDOCK. That is right. The American operator, finding that he can make more money operating his ship under a foreign flag, takes his ship out from under the American flag, and puts it under the flag of some foreign nation where the most money can be made. It is a flag of convenience, and it is very similar to—well, I guess we probably stole the term from runaway companies. We have runaway companies that are moving out of highly industrial areas, such as around the Great Lakes and around New York and down the east coast and the New England States, and going down to Southern States where they have cheaper taxes, cheaper labor, cheaper utility rates, in some instance, avoiding unionization. Those are normally referred to as runaway companies.

I suppose we borrowed this phrase "runaway flag" from the runaway company concept.

It is a method of reducing expenses, running away from responsibilities. That is what it boils down to.

Our estimate of an American tanker fleet is 854 ships aggregating 13,581,780 deadweight tons. Four hundred and eighty-four tankers, aggregating 7,592,000 deadweight tons are from the estimate arrived at that the Maritime Administration.

In our estimate, we include 69 tankers aggregating 1,152,300 deadweight tons which are operated by the Military Sea Transportation Service in their nucleus fleet. These tankers are commercial ships performing a function which is strictly civilian.

In our estimate, we include 339 seagoing tankers aggregating 5,502,732 deadweight tons, operated under foreign flag by affiliates of American companies. Of these 339 tankers, 281 aggregating 4,111,320 deadweight tons, are now under foreign-flag operation, and 58 tankers aggregating 1,391,000 deadweight tons are being constructed for foreign-flag operation.

Two hundred and forty-seven, or 88 percent of the 281 tankers actually in operation, are owned by 5 large oil companies. Fifty-four, or 93 percent of the 58 tankers under construction for foreign-flag operation are owned by the same 5 large American oil companies. The numbers and tonnage of the tankers owned by the five large oil companies are as follows:

*Seagoing tankers of 1,000 gross tons and over under foreign flag and owned by affiliates of major oil companies incorporated in the United States as of Jan. 1, 1953*

| Name of company | Presently operated | | Under construction for foreign flag | | Total operating and construction | |
|---|---|---|---|---|---|---|
| | Number of ships | Deadweight tons | Number of ships | Deadweight tons | Number of ships | Deadweight tons |
| Gulf Oil Corp | 20 | 291,831 | 12 | 362,792 | 32 | 654,623 |
| Socony-Vacuum Oil Co., Inc.[1] | 27 | 320,520 | 6 | 123,770 | 33 | 444,290 |
| Standard Oil Co. of California [2] | 60 | 973,110 | 11 | 334,270 | 71 | 1,307,380 |
| Standard Oil Co. of New Jersey | 126 | 1,649,816 | 19 | 435,000 | 145 | 2,084,816 |
| The Texas Co | 14 | 239,121 | 6 | 107,250 | 20 | 346,371 |
| Total | 247 | 3,474,398 | 54 | 1,363,082 | 301 | 4,837,480 |

[1] 20 tankers are jointly owned by Socony-Vacuum Oil Co., and Standard Oil of New Jersey.
[2] 50 tankers are jointly owned by Standard Oil of California and Texas Co.

Source: U. S. Maritime Administration.

We are amazed that our Government does not compel these oil companies to return to the American flag. They operate most of their ships under such runaway flags as Liberia, Honduras, and Panama. They man their ships with crews from low-standard-of-living countries. These crews are not screened for loyalty as are our American seamen.

We have often heard the argument that the American companies transfer their old tankers to foreign flags and operate their new tankers under the American flag. This is not true. In their annual report, Lloyd's Register of Shipping reported that only 5 percent of the tankers registered under the American flag were under 5 years old. On the other hand, the percentages of tankers under 5 years old in the runaway flag fleets was as follows:

| | *Percent* |
|---|---|
| Honduras | 60 |
| Liberia | 78 |
| Panama | 31 |

We are hopeful that this subcommittee will act to bring all runaway ships under the American flag. Only by so doing will you compel these large corporations to operate for the benefit of our Nation.

The size, speed, and design of our ships will vary according to the trades served. Also, national-defense requirements will be a modifying factor on the decisions of the shipowners. For example, the passenger service in the North Atlantic could well use more ships of the size of the steamship *America* or even the steamship *United States*. In this particular service, American ships are carrying approximately 25 percent of the passengers traveling to and from the United States.

Admiral Wilson stated that the Defense Department considers freighters having the general characteristics and capacities of the C–2's and C–3's as good ships from the commercial and military

points of view. We agree with the Department of Defense. However, each company will best know the type and size ships needed in each particular trade. This reasoning also applies in the case of the tanker fleet.

Because Mr. Earl Clark, Deputy Maritime Administrator, thoroughly covered the problem of block obsolescence, we shall be brief in our opinions on this subject.

It is indeed appalling to realize that we are at the brink of a world war with 56 percent of our merchant ships classified as poor by the Maritime Administration. Thus, out of the total number of 3,348 active and inactive ships in our merchant marine, 1,875 are ready for the scrap pile. This is not surprising when we realize that 1,713 ships in our merchant marine are obsolete Liberty-type ships.

Our Nation has never had as clear a warning of impending war as the one given to us by the Communists. Despite this warning, our policymakers, both administrative and legislative, believe that we need not start building modern merchant ships to keep the fighting away from our shores.

At the outbreak of the Korean war, there were only 20 merchant ships of 1,000 gross tons and over under construction in the depressed American shipyards. On that date, employment in ship construction and repair was only 42,500. By September 1952, there were 111 ships under construction in American yards. The total ship construction and repair employment was 98,000.

On January 1, 1953, there were 92 merchant ships of 1,000 gross tons and over under construction in American yards. Of these ships, 29 were the high-speed Mariner-type cargo ships, 55 were tankers, 7 bulk carriers, and 1 ferryboat. On January 1, 1953, employment in our shipyards decreased to 95,353. Of these 92 ships, only 30 will not be completed this year. By 1955, there will be only 2 ships of the 92 remaining under construction. This means that incoming orders in our ship-construction industry are at the lowest ebb since 1946. In fact, there have been no new orders for oceangoing ships placed with our shipyards in the last 6 months.

According to figures recently released by the Shipbuilders Council of America, the number of merchant ships of 1,000 gross tons or over being built or on order as of January 1, 1953, in the principal shipbuilding countries of the world are as follows:

| | Number of vessels | Gross tons | Percent |
|---|---|---|---|
| Great Britain | 692 | 6,181,242 | 39.5 |
| Germany | 227 | 1,791,008 | 11.4 |
| Sweden | 177 | 1,605,935 | 10.3 |
| United States | 92 | 1,309,980 | 8.4 |
| Holland | 140 | 1,179,092 | 7.4 |
| France | 85 | 854,096 | 5.5 |
| Japan | 60 | 650,610 | 4.2 |
| Norway | 80 | 627,780 | 4.0 |
| Others | 187 | 1,430,037 | 9.3 |
| Total | 1,740 | 15,629,780 | 100.0 |

The 92 ships under construction in American yards aggregate 1,985,980 dead-weight tons. Of this tonnage, 803,500 are for foreign flags. These ships are being built in American yards (1) because of

the steel shortages in foreign yards, and (2) because the foreign yards are so busy that they cannot give prompt delivery on new orders.

Thus, our shipyards are operating only because of the Government's orders for the mariners and because of the spillover from foreign yards. And to think that this unfortunate condition exists at a time of high world tension.

More than 80 percent of the United States merchant fleet, in contrast with 34 percent of foreign-flag merchant marines, consists of war-built tonnage. At the end of 1952, it was estimated that if all ships on order or under construction for private account on January 1, 1952, were added to the privately owned fleet in being on that date, the projection would only decrease the ratio of war-built tonnage from 83 percent to 78 percent and increase the postwar segment from 9 percent to 14 percent. Thus, no real start has as yet been made to "thin out" the preponderance of war-built tonnage.

The rate of new construction for foreign registry poses a serious problem for American-flag operators in foreign trades. In the simplest form, it means that new, modern, fast, efficient foreign-flag ships will offer still greater competition in a market in which American operators, with few exceptions, have generally been at a disadvantage.

Thus, we can see that the merchant fleet of the United States is in a critical position, as is the private shipbuilding and ship-repair industry. Contrary to common belief, it is not true that a simple employment of one-tenth of the normal work force in a shipyard means that the shipyard will be capable of expanding to the normal work force within a few months. This ratio of 10 to 1 has been used so frequently that we have lost sight of the fact that it is meaningless. The ratio may be correct as far as certain departments are concerned, but it means absolutely nothing in the case of the more skilled and apprenticeable crafts.

The ratio of 10 to 1 does not mean anything in the mold loft. Good loftsmen take years to train, and apprenticeship is simply the beginning of training for a loftsman. To make a first-class loftsman can take as long as 7 to 10 years. The loftsmen in this industry are now mostly elderly men. Apprenticeship was interrupted during the war and the number of apprentices today, because of the lack of work in the yards, is insufficient in case any future emergency should occur.

During the preceding war, the War Manpower Commission issued an industrial manning table for the shipbuilding industry. It is unusual to see how many of the skills in the shipbuilding industry take over 2 years to acquire minimum competence, even in a wartime-training accelerated program. When we mention minimum competence, we are not discussing first-class men. We are discussing training to accomplish the minimum requirements for mechanics' work in these crafts.

The mechanics who formed the nucleus of shipyard skills during the Second World War had had 5 years in which to acquire training in their crafts—from 1936 to 1941. If the industry is allowed to die within the next 5 years, with no possibility of replacement training, it will not be possible to start it again within a period of from 5 to 7 years of on-the-job training in most of the building and repair yards in the country.

The rapid expansion required for the shipyard forces in America during the Second World War and the cost of the facilities it was necessary to construct cost us well over one-half billion dollars in facilities, wasted manpower, and training programs. In addition to this, the cost of building a fleet which would not be usable in peacetime is difficult to measure. We would venture to say that close to $5 billion worth of unusable merchant ships were constructed because of the emergency, and the fact that ships had to be built quickly by mass production methods, with no time to construct a fleet which could be usable in peace, as well as in war.

If Congress and the administration were to allow an adequate shipconstruction program at the same time as allowing the preservation and repair of the better vessels in the reserve fleet, in time we would be able to scrap the 1,713 obsolete Liberty ships in the reserve fleet, and to have a reserve fleet capable of meeting an emergency.

There are some people who have blamed the shipbuilding industry for the high cost of shipbuilding in this country. We wonder how much an automobile would cost if the Ford Motor Co. today had a contract for 60 cars, and could see no prospect of building any more for another 10 years. Who is to pay the cost of overhead for the shipyards of this country? How can materials be scheduled, or the full skills of workers utilized, when today there is work and tomorrow there may be none? What incentive is there for technological progress?

There must be some way of alerting our leaders to the need of modernizing our merchant marine. Frankly, we do not know how to alert them. We are hopeful that this subcommittee decides to undertake the task of warning our Nation of the danger we face by permitting our merchant marine to become a second-rate merchant marine.

In closing our testimony, we request permission to insert exhibits 1 and 2 into the record. This exhibit is a table of ships and tonnage under foreign-flag and owned by affiliates of American companies.

Senator POTTER. Without objection, it is so ordered.

(The exhibits referred to are as follows:)

EXHIBIT I

[Excerpt from American Merchant Marine and the Federal Tax Policy, a report to the President on Government assistance necessary to maintain a merchant marine adequate to the commercial and national defense requirements of the United States, submitted by Secretary of Commerce Charles Sawyer, November 1, 1952, pp. 46-51]

PROJECTED SIZE OF ADEQUATE AMERICAN MERCHANT MARINE FOR FUTURE YEARS

Obviously, the estimates given herein constitute a projection resulting from various judgmental factors, as well as indices applied to data presently available. Changes in world conditions, both economic and political, and in unforeseeable variations of commercial requirements could, and probably would, change this projection. The figures given are the best that can be determined in terms of the intangibles inherent in such a projection.

The American merchant fleet adequate to carry all of the domestic oceanborne and Great Lakes traffic and a substantial portion of the foreign oceanborne commerce of the United States in the foreseeable future is estimated to consist of about 2,256 ships of 17¼ million gross tons. Of this number, 1,856 ships of 14¾ million tons are for oceangoing requirements and 400 ships of 2½ million tons are to fill Great Lakes needs.

The following table projects by principal types the number of American-flag ships and their tonnage necessary to meet the commercial needs of United States oceanborne and Great Lakes trades.

*Composition of projected American merchant marine adequate for United States oceanborne and Great Lakes trades*

[Tonnage in thousands]

| | Total ships | | Passenger and combination | | Freighters | | | Tankers | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Gross | Number | Gross | Number | Gross | Dead-weight tons | Number | Gross | Dead-weight tons |
| Total | 2,256 | 17,243 | 83 | 830 | 1,667 | 11,607 | 17,317 | 506 | 4,806 | 7,686 |
| Oceangoing | 1,857 | 14,727 | 72 | 790 | 1,300 | 9,200 | 13,600 | [1] 484 | 4,737 | 7,592 |
| Domestic | | | 10 | | 205 | | | | | |
| Foreign | | | 62 | | 1,095 | | | | | |
| Liner | | | 62 | | 430 | | | | | |
| Tramps | | | | | 200 | | | | | |
| Ready reserve for foreseeable future | | | | | 465 | | | | | |
| Great Lakes | 400 | 2,516 | 11 | 40 | 367 | 2,407 | 3,717 | 22 | 69 | 94 |

[1] Interchangeable between domestic and foreign trade.

GREAT LAKES FLEET

It is estimated that a fleet consisting of or equivalent to the existing ships on the Great Lakes together with those currently under construction or on order will be adequate to meet dry-cargo, bulk-liquid, and passenger needs of the Great Lakes for the foreseeable future. That fleet (existing United States-flag ships together with ships under construction or on order as of September 10, 1952) of 400 ships consists of 11 combination ships of 40,000 gross tons; 367 freighters of 3.7 million dead-weight tons, and 22 tankers of 94,000 dead-weight tons. More than three-fourths of the existing freighters are over 20 years old and will need to be replaced in the years ahead.

OCEANGOING FLEET

*Passenger and combination (passenger-cargo) ships*

The greatest existing deficiency in the current merchant marine, with respect to balanced fleet needs, is the category of passenger and combination ships. Prewar (1935) there were as many as 176 ships of about 1.3 million gross tons of these types actively engaged in our oceanborne foreign and domestic trades. As of June 30, 1952, such ship employment had dwindled to about one-fourth of the prewar number and consisted of but 45 ships of 524,000 gross tons.

This decrease is attributable to two major factors: (1) failure of the coastwise, intercoastal, and noncontiguous trades to retain prewar stature due to lack of suitable ships, noncompensatory rates, increased rail and motortruck and bus competition, and (2) lack of adequate modern tonnage, increased competition from air transport and high operating costs in the foreign grade. Contrasting the current situation with respect to passenger and combination ships with that which existed prewar, it is believed that an estimate of 72 ships of about 800,000 gross tons for our oceangoing passenger-carrying requirements in the foreseeable future is most conservative. This estimate includes 10 ships for domestic trades.

*Dry-cargo freight ships, general*

In arriving at an estimate of an adequate dry-cargo freighter fleet, a number of primary factors have been taken into consideration. These were (1) continuing growth of our foreign trade as a corollary of increased production, population growth, and progressive depletion of our reserves of basic raw materials; (2) the present world political situation which has existed postwar and which, from all indications, will continue to persist into the foreseeable future, and (3) the highly unsatisfactory shipping conditions which prevail in our coastwise, intercoastal, and noncontiguous trades.

Comparing postwar foreign trade for the 5-year period 1947–51 with 5-year periods from 1921 to 1940 reveals that the 1947–51 period is at a much higher level than that of any of the preceding periods. For example, it is 64 percent greater than the comparable period after World War I (1921–25); 41 percent larger than

the 1926–30 period which represented the highest peacetime level of prosperity the United States had known before World War II, and 80 percent more than the postdepression period of 1936–40.

During the period 1921 through 1940 United States population increased from 105.7 million to 131.7 million. In 1950 it was 150.7 million, and medium-series projections of population growth made by the Bureau of Census indicates a total population of 169 million by 1960 and 175 million by 1965.

The rapid depletion of our reserves of basic raw materials has been brought into focus in the recent report to the President by the President's Materials Policy Committee. This situation is currently emphasized by our diminishing supply of iron ore and the efforts being exerted to develop ore resources of hitherto untapped deposits in Venezuela, Labrador, Liberia, and elsewhere.

The estimate of 1,300 oceangoing freighters includes 835 that would be required for active operation in the near-term future and 465 available in a "ready reserve" to meet contingencies which arise from time to time. Of the 835 active ships, 205 would be needed for the coastwise, intercoastal and noncontiguous trades and the remainder (630 ships) would be required to meet normal foreign commerce requirements. Over a longer period (1960–65) foreign trade is expected to increase to the extent that this "ready reserve" of Government-owned ships for emergency purposes would be eliminated and the entire active fleet would be under private ownership and operation.

*Domestic trades*

In the domestic ocean trades, freighter employment has been much less than during prewar years. In 1937 about 450 ships were engaged in these trades as contrasted with 164 in August of 1952. This situation is not due to a decrease in the volume of traffic, but rather to the inability of domestic freighters to regain their prewar competitive status, particularly along the Atlantic, Gulf, and Pacific coasts and in the intercoastal trade. There has been comparatively little change in ship employment prewar and postwar in the noncontiguous trades with Hawaii and Puerto Rico, but the servicing of the Alaskan trade offers several problems which have not yet been resolved.

It is noteworthy that the total dry-cargo movement in the coasting trades in 1951 was slightly larger than in 1939 (41.5 million versus 41.3 million tons) despite a decline in cargo moving along the Pacific coast and between the Pacific and Atlantic/Gulf coast in 1951 as compared with 1939. This postwar increase was accounted for almost entirely by greater movements of bulk commodities such as coal, phosphate rock, and sulfur, which even in the face of greatly increased ship-operating costs still can be transported economically by water. A postwar development has been the carriage of the majority of bulk coastwise traffic in fewer ships with greater lifting capacity than was the case prewar. Most of the break-bulk cargo which formerly moved by water was diverted to the rail and truck lines during the war and has not been regained by the water carriers.

While it is not believed that coastwise shipping will regain its prewar position in the foreseeable future, it is not too optimistic to predict that 1952 employment will be increased by 25 percent in the years ahead by proper application of modern break-bulk cargo-handling methods and equipment both on ships and ashore. At present, cargo-handling costs on general cargo are the largest single item of ship-operating cost. It is to this deterrent to the competitive ability of coastwise shipping that greatest attention must be directed, if coastwise shipping is again to be competitive to transport of large quantities of general cargo.

Another element in the coastwise-shipping situation which must be considered is the precarious position of many of our secondary seaports. These smaller ports, prewar, depended largely on coastwise and intercoastal general-cargo traffic and as a result of the dwindling of this trade now find themselves in such financial straits that adequate maintenance of their facilities out of operating revenues is virtually impossible. The continued availability of the port facilities, equipment, and operating personnel of these ports is imperative for national-defense purposes, and the best insurance for maintenance of such ports is an increase in the movement of coastwise and intercoastal cargo through them. It is believed that this can be accomplished through the installation of efficient cargo-handling systems adapted to the smaller ports and coastwise ships.

*Foreign trade*

Not since 1947 when 56 percent of our foreign commerce moved in United States-flag bottoms has United States-flag shipping carried at least 50 percent of our foreign oceanborne dry-cargo commerce. Subsequent years have seen a steady decline in tonnage moved in ships of United States registry except in 1951

when it increased to 40 percent from a postwar low of 34 percent for the preceding year. This is graphically portrayed in the chart No. 19 (see appendix) titled "Amount and Percentage of United States Foreign Trade—Total Exports and Imports Carried in United States Flag Ships, 1936–51." The target of "at least 50 percent" is based on the understanding that "a substantial portion of the waterborne export and import foreign commerce of the United States" as enunciated in the 1936 Merchant Marine Act is the goal to be reached. However, it is noteworthy that most of the decline in recent years is due to the marked increase in nonliner carryings of foreign-flag ships since United States-flag liner services during the postwar period, overall, have consistently carried more than 50 percent of liner traffic on the 33 essential trade routes. For example, in 1947 United States-flag liner carryings on essential trade routes amounted to 61 percent of the total liner movement; in 1948 they had declined to 55 percent and continued to decrease to 51 percent in 1951.

Subsidized operators own and are currently operating 245 freight ships. If to this number are added ships which will be required by nonsubsidized companies applying for subsidy (provided their applications are favorably acted upon), the total would be approximately 275. Other non-subsidized companies currently are operating about 120 ships in liner service. Of this number, 45 are industrial carriers of which 33 offer only partial common-carrier service.

The 35 Mariner-type ships now in operation or under construction will be available to private operators in the near future. It is expected that these ships will be absorbed into the fleets of the subsidized and nonsubsidized operators which will increase the total active foreign trade fleet of United States-flag liner ships to 430 ships.

Aside from those employed in liner service there were nearly 150 United States-flag ships in operation in the tramp trades as of June 30, 1952. In the report of the Tramp Shipping Committee to the Maritime Commission dated August 5, 1949, postwar requirements for tramp shipping under United States flag were estimated to be 200 ships if 50 percent of our foreign trade (which includes tramp-type tonnage) were to be carried in ships of United States registry.

It is conservatively estimated that during the next 10 to 15 years (1960 to 1965) the volume of foreign commerce of the United States will increase between 25 and 35 percent. This estimate which has been prepared from the best information presently available in our own organization and outside sources is based upon a number of factors including: Growth in population; projected increase in gross national product; the need to conserve diminishing supplies of basic raw materials; improved standards of living in underdeveloped and backward parts of the world, and the continuation of a geopolitical situation in which the United States will be the principal champion and bulwark of the free nations.

On the basis of that estimate our oceanborne dry-cargo foreign commerce will have reached an annual level approximating 135 million long tons between 1960 and 1965. During 1951 when our dry-cargo foreign commerce totaled 110 million tons United States-flag participation was 40 percent or 44 million tons. Average United States-flag freighter employment during that year was 755 ships. On the basis of an annual average carrying per ship, to have lifted 50 percent of our 1951 commerce would have required continuous employment of nearly 940 American-flag freighters.

Projecting this ship utilization into the 1960–65 period when our estimated commerce will be about 135 million tons, to lift 50 percent of that traffic in United States-flag ships would require continuous employment of 1,050 to 1,150 privately owned freighters. This requirement of privately owned shipping would eliminate the necessity for maintaining a ready reserve of Government-owned ships except for extreme emergencies.

### TANKERS

Concensus of experts in the field of petroleum requirements for the foreseeable future is that the existing tanker fleet together with ships under construction or on order as of September 10, 1952, will be sufficient to fill future commercial needs, provided that obsolete tonnage is replaced with modern tonnage on a continuing basis. This of course does not take into account the tanker requirements for national-defense purposes. The current fleet employed in domestic and foreign trade augmented by ships now on the ways and tonnage on order amounts to 484 ships of about 7.7 million dead weight. It should be further pointed out that tanker tonnage owned by United States companies and their affiliates registered under the flags of Liberia, Honduras, Panama, and Venezuela, numbering 166

ships of about 1.7 million dead-weight tons, is also available to meet our foreign-trade requirements. In view of our steadily increasing petroleum import needs the availability of this tonnage is of singular significance. Moreover, of the 60 tankers of over 1.5 million tons now building in the United States 24 ships of about 900,000 dead-weight tons are being constructed for registry under those flags. Thus the tanker fleet actually available to meet future domestic and foreign-trade needs of the United States will be comprised of 674 ships of about 10.3 million dead-weight tons.

The portion of the United States-flag tanker fleet employed in domestic service at present consists of 287 tankers of 4.3 million dead-weight tons. All of these tankers, however, are not permanently committed to domestic trade and so are available to serve in United States foreign trade when conditions require such use. In this connection construction of refineries at strategic points along the United States seaboard tends to decrease the need for tanker tonnage to lift refined products which can be readily distributed from those refineries by short-haul motortrucks, tank car and pipeline. This will permit employment of more tankers in the longer haul crude petroleum trades.

EXHIBIT II

*Ships of 1,000 gross tons and over under foreign flag and owned by affiliates of parent companies incorporated in the United States, as of Jan. 1, 1953*

| | All types of ships | | Seagoing dry cargo | | Seagoing tankers | | Seagoing bulk and ore carriers | |
|---|---|---|---|---|---|---|---|---|
| | Number of ships | Dead-weight tons | Number of ships | Dead-weight tons | Number of ships | Dead-weight tons | Number of ships | Dead-weight tons |
| Presently operating | 343 | 4,474,402 | 52 | 244,833 | 281 | 4,111,320 | 10 | 118,249 |
| Under construction for foreign-flag operation | 71 | 1,628,012 | 2 | 4,000 | 58 | 1,391,412 | 11 | 232,600 |
| Total | 414 | 6,102,414 | 54 | 248,833 | 339 | 5,502,732 | 21 | 350,849 |

Source: U. S. Maritime Administration.

Mr. HADDOCK. That is the end of this particular one. We are going forward with some great hopes to the other phases of this study, and particularly the outcome and push you put behind them.

Senator POTTER. I wish to thank you, Mr. Haddock, for your very detailed and thoughtful testimony that you presented here this morning.

As you well know, it is the purpose of the subcommittee to gain as much information as we can. I sincerely hope that not only as a result of the work of the subcommittee, but all interested people, we can band together in an effort to do a public relations job to let the people of the country know the necessity of having an adequate merchant marine.

This committee, stands willing, and I hope can give some guidance to that program.

Mr. Drewry, do you have any questions?

Mr. DREWRY. I was wondering if Mr. Haddock would mind submitting for the record the membership of the maritime unions that he is speaking for.

Mr. HADDOCK. You mean, the numbers?

Mr. DREWRY. Yes, sir.

Mr. HADDOCK. We will be happy to.

Mr. DREWRY. That is all I have.

Senator POTTER. This question is not in the broad scope that we are considering, but it is something I would like to present to you

for you to do some thinking about. As you know, one of the questions we are confronted with here, as we go into the more detailed aspects of our study, is the high cost of maritime labor.

As you know, there was an effort made to put a limit on the cost of labor in the appropriations bill. I know this is not part of this general, overall study, but it is a question that I would like to have you be thinking of, in order that you might give us a more detailed report of it when we get into that aspect of it.

If you have any general comments on it that you would like to make, we would be glad to hear them.

Mr. HADDOCK. I have no general comment that I want to make at this time. However, we are prepared to present to this committee a full study of this very question. I think a lot of people will probably get their eyes opened when it is presented.

Senator POTTER. We will go into that aspect of it in further hearings next session. Thank you very kindly, Mr. Haddock.

(The following letter was later received for the record:)

CIO MARITIME COMMITTEE,
*Washington, D. C., July 23, 1953.*

Mr. JOHN M. DREWRY,
*Counsel, Special Subcommittee on Maritime Subsidies,*
*Senate Interstate and Foreign Commerce Committee,*
*Senate Office Building, Washington, D. C.*

DEAR MR. DREWRY: During our testimony on the size and composition of the American merchant marine you asked us to submit data on two questions. These questions and our answers are as follows:

*Question No. 1.*—What is the membership of the unions affiliated with the CIO Maritime Committee?

*Answer.*—At the present time there are 186,697 union members in the five unions comprising the CIO Maritime Committee. The breakdown of union membership by union is as follows:

| *Name of union* | *Number of members* |
|---|---|
| National Maritime Union | 50,063 |
| Industrial Union of Marine and Shipbuilding Workers of America | 56,683 |
| American Radio Association | 1,580 |
| National Marine Engineers' Beneficial Association | 13,371 |
| District No. 4, United Steelworkers of America | 65,000 |
| Total | 186,697 |

Please note that the 65,000 members in district No. 4 of the United Steelworkers of America are all of the members of that district and not just those working in the maritime industry. The total number is given because Joseph Moloney, president of district No. 4, is a member of the CIO maritime committee. This means that his entire district membership is in the CIO maritime committee.

*Question No. 2.*—Could you inform us whether the Government was protecting our agricultural industry with tariffs while the direct subsidies of $2,104,192,000 were paid during the 10-year period 1938 to 1948 during which the Government paid $35 million operating subsidy to the maritime industry?

*Answer.*—Yes, the Government was protecting American agricultural products by placing tariffs on imported agricultural products and agricultural manufactured products in the 10-year period 1938 to 1948. In the breakdown tables which follow the manufactured products of agricultural products are included. This is done in order to give a true picture of Government tariff protection to the American agricultural products. For example, it is necessary to show the tariffs on woolen cloth in order to properly show the actual protection given to the wool industry in America. It would be meaningless to show only the duties on raw wool if the foreign-made woolen cloth were imported duty free because we would import all of our woolen cloth. Consequently, our raw wool would have no domestic market for use in woolen cloth. This reasoning applies to all agricultural products.

Two billion seven hundred million seven hundred and forty-one thousand dollars was the total duties paid on imported agricultural products and manufactures of these products for the 10 years 1938 to 1948. The 10-year breakdown by classification of agricultural products is taken from tables compiled by the Bureau of Customs, United States Treasury Department. These tables are as follows:

*Imported dutiable agricultural products and their manufactures entered for consumption—Values and calculated duties, by tariff schedules: 1938 to 1948*

[All figures in thousands of dollars]

| Year | Wood and manufactures | | Sugar, molasses, and manufactures | | Tobacco and manufactures | | Agricultural products and provisions | |
|---|---|---|---|---|---|---|---|---|
| | Values | Duties | Values | Duties | Values | Duties | Values | Duties |
| 1938 | 13,503 | 2,156 | 95,486 | 45,506 | 35,803 | 24,408 | 147,857 | 51,058 |
| 1939 | 17,002 | 2,096 | 90,543 | 46,218 | 35,999 | 23,927 | 173,808 | 56,419 |
| 1940 | 17,461 | 1,723 | 87,780 | 42,826 | 36,685 | 22,173 | 147,228 | 46,083 |
| 1941 | 36,039 | 2,536 | 145,375 | 63,586 | 38,026 | 23,017 | 173,113 | 56,818 |
| 1942 | 46,185 | 2,413 | 134,811 | 36,056 | 37,779 | 22,505 | 178,729 | 41,368 |
| 1943 | 27,852 | 1,642 | 194,349 | 55,730 | 43,209 | 23,044 | 248,557 | 40,526 |
| 1944 | 37,299 | 2,297 | 101,071 | 29,096 | 65,930 | 24,882 | 266,284 | 37,584 |
| 1945 | 44,563 | 2,867 | 35,418 | 10,430 | 82,278 | 28,253 | 314,005 | 42,542 |
| 1946 | 54,610 | 4,191 | 42,524 | 10,167 | 89,337 | 24,916 | 354,680 | 43,405 |
| 1947 | 42,112 | 3,073 | 436,404 | 67,280 | 92,367 | 25,757 | 311,800 | 36,347 |

| Year | Spirits, wines, and other beverages | | Cotton manufactures | | Flax, hemp, jute, and manufactures | | Wool and manufactures | |
|---|---|---|---|---|---|---|---|---|
| | Values | Duties | Values | Duties | Values | Duties | Values | Duties |
| 1938 | 59,460 | 34,498 | 24,288 | 9,439 | 49,402 | 12,092 | 27,418 | 18,531 |
| 1939 | 59,076 | 34,206 | 27,284 | 9,841 | 54,765 | 10,829 | 49,271 | 33,624 |
| 1940 | 53,809 | 32,753 | 20,106 | 7,050 | 68,033 | 10,255 | 77,829 | 51,601 |
| 1941 | 49,635 | 30,186 | 15,003 | 5,002 | 69,846 | 9,526 | 185,672 | 123,118 |
| 1942 | 56,695 | 28,811 | 8,270 | 2,548 | 52,309 | 6,639 | 178,771 | 112,973 |
| 1943 | 83,094 | 61,563 | 8,946 | 2,707 | 40,635 | 4,857 | 218,316 | 134,360 |
| 1944 | 115,304 | 85,671 | 6,709 | 1,900 | 10,047 | 2,252 | 179,016 | 114,379 |
| 1945 | 67,923 | 45,340 | 26,066 | 4,533 | 17,863 | 3,982 | 229,513 | 144,039 |
| 1946 | 95,150 | 50,520 | 23,451 | 5,453 | 106,202 | 15,394 | 276,042 | 167,759 |
| 1947 | 67,305 | 31,718 | 15,986 | 4,921 | 149,880 | 13,878 | 199,090 | 95,072 |

*Values of and duties on agricultural products and their manufactures for years 1938 to 1948*

[All figures in thousands of dollars]

| | Values | Duties |
|---|---|---|
| Wood and manufactures | 336,626 | 24,994 |
| Sugar, molasses, and manufactures | 1,363,761 | 406,895 |
| Tobacco and manufactures | 557,413 | 242,882 |
| Agricultural products and provisions | 2,316,061 | 452,150 |
| Spirits, wines, and other beverages | 707,451 | 435,266 |
| Cotton manufactures | 176,109 | 53,394 |
| Flax, hemp, jute, and manufactures | 618,982 | 89,704 |
| Wool and manufactures | 1,620,938 | 995,456 |
| Total | 7,697,341 | 2,700,741 |

We again wish to repeat that we are not opposed to the Government programs of direct subsidization and tariff protection for our agricultural products. We merely use these figures to show how little our Government spends for our vital maritime industry in comparison with expenditures for another industry.

There is one further clarification of our testimony which we wish to include.

On page 29 of our testimony we have a table showing 54 seagoing dry cargo ships of 248,833 dead-weight tons (excluding bulk and ore carriers) which are under operation or being constructed for foreign-flag operation by affiliates of parent companies incorporated in the United States. Of these 54 ships, 41, aggregating 190,408 dead-weight tons are owned by affiliates of two large Ameri-

can companies. Thirty-four of these ships aggregating 163,888 dead-weight tons, are owned by the United Fruit Co. and 7 ships, aggregating 26,520 dead-weight tons are owned by the Standard Fruit Co.

This is another example of large American companies operating their ships under foreign flags even though they do not depend on shipping for the bulk of their profits.

Again we thank you for the opportunity of presenting our views to the Special Senate Subcommittee on Maritime Subsidies.

Sincerely yours,

HOYT S. HADDOCK, *Executive Secretary.*

The Chair would like to announce that tomorrow Mr. Sanford of the Shipbuilders Council will be our witness. We will stand in recess until 10 o'clock tomorrow morning.

(Whereupon, at 11:45 a. m., the subcommittee recessed, to reconvene at 10 a. m., Tuesday, July 14, 1953.)

# MERCHANT MARINE STUDIES

**TUESDAY, JULY 14, 1953**

UNITED STATES SENATE,
SPECIAL SUBCOMMITTEE ON MARITIME
SUBSIDIES OF THE COMMITTEE ON
INTERSTATE AND FOREIGN COMMERCE,
*Washington, D. C.*

The subcommittee met, pursuant to call, in room G–16, Capitol, at 10:30 a. m., Senator Charles E. Potter, presiding.

Present: Senator Potter.

Also present: Mr. John M. Drewry, special counsel to the subcommittee.

Senator POTTER. The subcommittee will come to order. I regret I had another committee assignment that prevented me from being here at 10 o'clock. As maybe you know, or do not know, I am on another committee, where, I can assure you, a new problem develops every 5 minutes. It is difficult to budget your time. So I wish to thank you for being patient with me and allowing me to come in late.

We are pleased to have with us this morning Mr. Sanford of the Shipbuilders Council to give us his views on the question which we are now discussing, the size and composition of our merchant marine.

We have heard testimony from Government agencies, the Department of Defense, the Department of Commerce. We have heard from the industry, both management and labor. We are very happy this morning that we can hear from a segment of the maritime industry without which we would have no merchant marine, which plays a vital part in the consideration of any maritime problem.

I know the shipbuilding industry has problems which are unique to that industry. They are affected a great deal, of course, by Government policy. That is the reason we are most pleased that the shipbuilding industry has selected from its foremost speakers and leaders Mr. Sanford to present their case here this morning. Mr. Sanford, we are delighted to have you with us.

## STATEMENT OF L. R. SANFORD, PRESIDENT, SHIPBUILDERS COUNCIL OF AMERICA

Mr. SANFORD. Thank you, Mr. Chairman. I might say before I start my speech that I am trying this morning to tell a story. I will also try to make it as bearable as possible by excluding any statistics. What statistics there are, are shown in the exhibits attached to the statement, which I will refer to only briefly.

I would also like to say, Mr. Chairman, that there are two representatives of the shipbuilding and ship-repair industry here with me, Mr. Harry W. Pierce, president of the New York Shipbuilding Corp.,

Camden, N. J., and William Purnell Hall, vice president, the Maryland Drydock Co.

Senator POTTER. If you would like to have them up here with you, it is perfectly all right, Mr. Sanford.

Mr. SANFORD. Mr. Chairman, pursuant to your letter to me of June 8, 1953, in which you advised of public hearings to take testimony on the subject of the size and composition of the American merchant marine, I am here today to present a statement on that subject.

My name is L. R. Sanford. I am president of the Shipbuilders Council of America, a trade association of the shipbuilding and ship-repairing industry, including many allied industry members, who manufacture marine equipment and machinery. The membership of the council represents the greater part of the capacity of the presently operating shipbuilding and ship-repairing facilities of the United States. I am speaking on behalf of the members of the council.

The scope of the subject matter of the present hearing, the size and composition of the American merchant marine, is extremely broad. The national maritime policy has been expressed legislatively in the Merchant Marine Act of 1936 and reiterated again in the Ship Sales Act of 1946.

Many committees, boards, and other groups, after intensive and thorough investigation at various times, have as a result of such investigations confirmed the necessity for and the wisdom of the national maritime policy set forth in the 1936 act. I particularly suggest that the members of this committee, if they have not already done so, study carefully the report of the President's Advisory Committee on the Merchant Marine issued in 1947. That report was the result of exhaustive hearings and much intensive study on the part of 4 top-level business executives and 1 retired naval officer, none of whom were or had been connected in any way with merchant-marine affairs. The report, therefore, must be considered as that of an unbiased group whose main objective was the national interest. Many significant recommendations were made. Unfortunately, the report was pigeonholed and the recommendations were not carried out.

The national maritime policy expressed in the statute stresses the necessity, both for the development and maintenance of the domestic and the export and import foreign commerce of the United States, and for the national security, that the United States have an efficient and adequate American-owned merchant marine.

It then defines such a merchant marine as one having the following characteristics:

(1) Sufficient to carry its domestic waterborne commerce and a substantial portion of its waterborne export and import foreign commerce and to provide shipping service on all routes essential for maintaining the flow of such domestic and foreign waterborne commerce *at all times.*

I have italicized "at all times."

(2) Capable of serving as a naval and military auxiliary in time of war or national emergency.

(3) Owned and operated under the United States flag by citizens of the United States.

(4) Composed of the best-equipped, safest, and most suitable types of vessels, constructed in the United States and manned with a trained and efficient citizen personnel.

(5) Supplemented by efficient American-owned facilities for shipbuilding and ship repair, marine insurance, and other auxiliary services.

The foregoing characterizations are quoted directly from the Ship Sales Act of 1946 and are substantially the equivalent of similar language in the Merchant Marine Act of 1936 with certain exceptions as follows: (1), (2), and (4) are identical with (a), (b), and (d) in the earlier act. (3) is the same as (c) except that the additional language "insofar as may be practicable" of the earlier act has been eliminated in the later one. The elimination is significant. (5) did not appear specifically in the earlier act, although unquestionably inferred, but it is spelled out in the later act, no doubt as a result of the cold facts of World War II.

Hence, it is evident that the Congress, in 1946, 10 years after the passage of the Merchant Marine Act of 1936 and after the conclusion of World War II, found no occasion to alter in any way the national policy enunciated in that act and the several characterizations of an efficient and adequate merchant marine essential thereto, except to strengthen one characterization and to add another, previously inferred but not covered by specific language.

Now in 1953, some 7 years later, it is important for all of us, and particularly for this committee, to consider carefully whether there has been any alteration in our national economy, in our international relationships, and in our national security, of sufficient significance to justify any change, either in our national maritime policy or in the characterizations of an efficient and adequate merchant marine applicable thereto.

The members of the council feel that existing international conditions and our own national economy and security not only confirm the necessity for an efficient and adequate American owned and operated merchant marine and the soundness of the national policy with respect thereto, but even justify strengthening that policy in every practical manner.

As for the method or methods by which the objectives of the national maritime policy may be achieved, there may be and undoubtedly are differences of opinion, but there certainly should be a united front on the part of all citizens of the United States, once they really understand the situation, as to the objectives of the national maritime policy and the justifications thereof.

Senator POTTER. There is no truer statement that can be made, but unfortunately that has never been sold.

Mr. SANFORD. That is quite so.

As previously stated, there are two broad general justifications, viz, the national economy and the national security. It has been more or less customary in discussing the merchant marine in Congress and elsewhere to lay great stress upon the national security as the real justification for the expenditure of Government funds to promote the merchant marine and more or less soft pedal the national economy as of somewhat doubtful value.

Let us this time first take the national economy, or as the law phrases it, the development and maintenance of the domestic and the export and import foreign commerce of the United States, and then let the national security follow in its proper place.

Obviously, the national security is foremost in everyone's thoughts under present world conditions and it is vitally important. However, the emphasis on national security tends to obscure the role played by the merchant marine in the national economy. That very emphasis

may tend to the thoughtless conclusion that, in normal times, there is little need for an American owned and operated merchant marine, certainly not enough to justify Government financial assistance to maintain one.

Even now, in far from normal times, there is a strong widespread inclination toward that same point of view. That is why we should first consider the economic aspect of the merchant marine, which is applicable at all times. If we do not have an efficient and adequate merchant marine in normal times, how can we expect to have one when the national security is threatened? We have had 2 expensive lessons in the past 35 or 40 years. Should we not profit thereby?

If it is established that in normal times a merchant marine is a facility of great national importance, one that we cannot afford to be without, the problem of national security at all times will very largely have been automatically solved. The law supports this thesis in that the No. 1 characterization heretofore quoted rates national economy as the primary justification for a merchant marine and the national security then follows as a supplemental or secondary justification. The law distinctly states that the commercial aspect of the merchant marine applies at all times, which means just what it says. I have emphasized in the quotation the words "at all times" to call attention to that all-important fact.

The question frequently has been posed that, if foreign-flag vessels can be built and operated more cheaply than American-flag vessels, why should the United States be concerned? Why not permit the foreign-flag vessels to transport the exports and imports which comprise our foreign commerce? Why bother with an American-flag merchant marine?

This proposition appears to have some superficial merit, at least until it is analyzed. It is, of course, necessarily predicated on the theory that foreign-flag shipping lines will perform overseas transportation service for us cheaper than we can do it for ourselves. It also has to be predicated on the theory that the United States can rely upon friendly foreign-flag shipping in time of emergency. (Comment on this latter theory will follow later in this statement.) But, unfortunately, the first theory is not sound. True, foreign-flag ships can be operated at much less cost than American-flag ships, both from the standpoint of capital investment and normal operating cost, but it does not by any means follow that the rates that foreign-flag owners will charge for transporting our exports and imports, when not faced with American-flag ship competition, will be reasonable rates based upon overall operating cost with a fair margin of profit, or even that such rates will be the equivalent of existing freight rates, whether by conference agreement or otherwise. The fact is that our present foreign competitors then will charge all the traffic will bear, because there will be no practical means of preventing them from so doing. Foreign shipping lines have never been inclined to be altruistic.

Senator POTTER. I think we had testimony yesterday to the effect that during World War I, when we had to rely a great deal on foreign shipping that they increased the rates as much as 1,000 percent.

Mr. SANFORD. That happened. I was around when it happened. I am familiar with it.

Senator POTTER. I think that is a dramatic example of the very thing you were talking about, when American competition is elimi-

nated we are at their mercy and that there can be higher shipping costs rather than cheaper.

Mr. SANFORD. Yes.

There has been and is consistent and continuing propaganda maintained in this country by foreign shipping lines, both on a company and a national basis, to discredit the American merchant marine with the American people and to sell the idea that their interests would be best served by utilizing foreign shipping services and permitting the American merchant marine to succumb to a lingering but inevitable death. It is both regretful and unfortunate that this propaganda has met with a fair measure of success, in many cases with those who are unable to perceive the insidious influences behind it or realize the effect upon them if it should succeed. It likewise is unfortunate that in the past our own Department of State has proven to be fertile ground for such propaganda, generally on the ostensible theory that good international relations dictate that foreign nations or nationals should be given the opportunity to earn dollars in every possible way, regardless of the effect upon our own national economy or even upon our own national security.

Industry and agriculture in this country, of necessity, must depend upon a continuous, consistent, and reliable means of overseas transportation, at fair and reasonable rates, for the carriage of both the exports and imports which constitute our foreign commerce.

The export trade of the United States often may mean the difference between a profit and a loss to many industries and to many farmers. There must be an assured and American-controlled transportation operation to provide that service at all times.

The import trade of the United States includes all the essential basic materials not available in the United States which are indispensable both to the national economy and to the national security. There must be an assured and American-controlled transportation operation to guarantee the importation of such materials at all times.

Senator POTTER. Is it not also true, Mr. Sanford, that with many foreign flags the ships are owned and controlled by the Government, at least controlled by the Government and it could be used as an instrument of their foreign policy to the detriment of the United States?

Mr. SANFORD. It is being used that way.

Senator POTTER. Where the ships are controlled and so closely tied in with the national policy of the country, it could be very detrimental to our standing throughout the world?

Mr. SANFORD. Quite true.

Assume, as has happened within our memory, that changing world conditions bring about certain more lucrative services for foreign-flag ships and that they are diverted without notice to such trades. What would be our position without an American-flag merchant marine? Our ports would be congested with exports unable to move overseas and the inbound flow of the vital strategic materials essential both to our national economy and to our national security would drop off to a mere trickle. The only cargo, if any, moving in our foreign trade, outbound or inbound, would be subject to rates imposed at will by foreign-flag lines and completely beyond our control. What happens to our national economy under such circumstances and what becomes of national security?

The existence of a modern and adequate American-flag merchant marine is vital to our national economy as an instrument to assure stabilization of freight rates and guarantee regularity and dependability of service.

A merchant marine is an instrument for the promotion of our foreign trade. It could not be expected that foreign-flag merchant marines would undertake that function. They are interested in promoting the foreign trade of their own nationals. The expansion and even maintenance of foreign markets is a highly competitive business which ultimately goes to the nation best qualified to secure those markets. In order to be so qualified, there must be the products to sell or buy, as the case may be, at a competitive price; then aggressive organizations with strategically located offices throughout the world, which, first, secure the business, and, second, provide the transportation of the products involved, in or out as the case may be, on modern ships with frequent, regular, and dependable service at competitive rates. The overseas organizations of the various shipping companies are a most substantial factor in providing these necessary services. It is their function to promote business abroad, wherever possible, by spearheading new sources of business. They are our advance agents for foreign trade.

Then, too, the very presence of American-flag ships in the ports of the world is notice to all concerned that the United States, as a result of world conditions, has become the leading nation of the free world.

Senator POTTER. I think that is very important.

Mr. SANFORD. In order to carry out that role, the United States must continue to be a maritime Nation, seeking its share of world trade. History records that no leading world power ever continued as such without world trade and the means of transporting it. The sun has set on many world powers once their foreign trade and their once proud merchant fleets vanished, either as a result of national apathy, ruthless competition, or military conquest.

There is an old adage that "trade follows the flag." History reflects its truth. The great world powers were maritime powers and developed through their overseas trade. When their seapower declined, so did their foreign trade and so did they as world powers.

The reference to seapower calls for some explanation as to what constitutes seapower. Seapower is not achieved and retained by a powerful Navy alone, any more than it is by a strong merchant marine. Seapower means control of the seas. That control can only be exercised by the nation which has both a powerful Navy and a strong merchant marine. Each complements the other. The Navy commands the sealanes so that our merchant ships may sail where they will in safety. The merchant marine supplements and supplies not only the Navy, but our military bases, ashore and afloat, wherever they may be throughout the world. As long as control of the seas is maintained, our national economy will flourish and our national security is assured. If we lose that control, we immediately become vulnerable, economically and militarily.

Students of history are familiar with Admiral Mahan's noted book entitled "The Influence of Sea Power on History." It has had worldwide acceptance as an authoritative treatise on the subject.

Here is a copy of the book, Mr. Chairman. It was published by Admiral Mahan in 1889, and it is still accepted as a sound exposition of the subject matter and recognized as such throughout the world.

Last year there was published a very notable book entitled "A History of Sea Power" by William Oliver Stevens and Allan Westcott, one a former and the other a present professor in the United States Naval Academy.

With your permission, I would like to read the opening paragraph of that book.

Senator POTTER. Please do.

Mr. SANFORD (reading):

> The term seapower, in its widest interpretation, must be taken to include not only the navies of nations but their total strength and interest on the sea—their extent of coastline, overseas bases and colonial possessions, merchant shipping, and seaborne trade.
>
> When the term is given this breadth of meaning, the history of seapower becomes not merely a record of naval warfare but an account of the rise and decline of the great maritime nations, and of their rivalry for sea trade and sea control.
>
> Among the western nations, this rivalry has always been a dominant motive, and naval history thus maintains an almost continuous relationship with the development of their commerce and the changes of their foreign policy.

These two books, I might say, are out of the council's library. I am sorry I do not have extra copies to leave with you.

More recently Admiral Carney made an address on the principles of seapower to the NATO Defense College in Paris. I have several copies of that here which I would like to hand to the committee for its use.

Senator POTTER. Without objection, that will be made a part of the record at this point.

(The material referred to is as follows:)

THE PRINCIPLES OF SEAPOWER

An address by Adm. Robert B. Carney, United States Navy, Commander in Chief, Allied Forces Southern Europe, delivered on February 11, 1953 to the NATO Defense College, Paris

FOREWORD

My qualifications for speaking of seapower stem from experience which had its beginnings 46 years ago and which even included a few months in a square rigger at the age of 16. I have participated in two grim and merciless struggles for the Atlantic highway to Europe and I saw mastery of the Pacific bring victory to our arms and strangulation to the people, the arms, and the far-flung garrisons of the enemy; but the long years of experience also included contact with ground forces and air power, they brought major logistical responsbilities, and they provided valuable opportunity for collaboration with industry and with governmental processes. If the years have taught me anything it is that blind and narrow service partisanships are a poor excuse for public service; esprit de corps is a vital need in every fighting man but it must never be perverted to stupidity. Today I will speak to you—and speak earnestly—of the vital importance of seapower and I will speak with the authority of an experienced naval officer. But I will also be speaking to you as the Commander in Chief of Combined Allied Forces; running through the pattern of my observations concerning maritime matters you will find threads of political and economic significance and you will discern full recognition of the importance of the other related and inseparable factors of military strength. So, today, I talk of seapower but I present it as only one factor of political strength and I shall endeavor to present it as an impartial public servant and not as a rabid partisan. I urge you all to listen in the same spirit.

I. THE PRINCIPLES OF SEA POWER

To the islandman, from his childhood, the significance of the sea around him is obvious and understandable; he instinctively comes to understand its benevolence from watching the fishing craft bringing in their precious food; he knows

that other boats bring him needed articles from islands beyond the horizon. And he instinctively understands the sea's latent threats and dangers—its destructive violence, its power to isolate, and its impartial service to his enemies. The islandman knows that the sea is both a source of life and a cruel sea, and his instinct tells him that it is the part of wisdom to know how to use it to his advantage and it is prudent to prevent his enemy from using it to his disadvantage.

To those who inhabit very large islands, and to those who live upon the continental masses, the fundamental advantages and dangers of the sea are not so readily apparent to the individual, but to the student of political and economic struggles, to those who analyze the sources of national power and welfare, there is an ever-recurring appreciation of the importance of the seas. We have a popular expression today which furnishes a poignant clue to the interdependence of peoples and countries—"the have-nots"—in some degree all of us are "have-nots" and many of those things which we must have for our varying economies can only be brought to us by way of the sea. Nor are the great salton sea masses alone of importance; nowadays the salt air above the seas is part and parcel of the system of the sea and what is true of the surface is equally true of the air above the surface, for the sea air is now an avenue of commerce, offers routes for military operations, and must be studied with the same attentiveness, and for the same purposes, as the sea itself.

To the islandman this understanding of the sea is virtually a racial memory and instinct; it became a community instinct in the British Isles and in Japan. In greater or less degree, realization of the importance of the sea has dawned on nearly every nation and national group. Even with its great resources the United States is keenly aware of the sea's essentiality to her standards of living and her security. How much greater, even, must be the concern of the Soviet world with respect to this vast natural strategic element which encircles it, which covers such a tremendous percentage of the earth's surface, and which is of such critical importance to those who resist Soviet ideology.

Even from these introductory thoughts one must conclude that certain necessary parts of the seas of the world must be secured for our use and denied to those who would destroy us.

### II. THE NECESSARY MEASURE OF CONTROL

Control of the sea means different things to different peoples; control of the sea to a Polynesian islander is quite a different matter from "control of the sea" as understood by other peoples and nations. The necessary measure of control that the Polynesian must exercise to insure his livelihood and his security in the sparsely settled vastness of the Pacific differs greatly from the measures which must be undertaken by a major political community. The degree to which different peoples may be classified as "have-nots" will dictate widely differing measures necessary to insure to them an appropriate use of the sea. The economic and military philosophies of nations—strategic offensive, strategic defensive, commercial philosophy, etc.—will imply need for a considerable variety of measures necessary for each to exercise an appropriate degree of control of the sea. If we were to risk another conclusion at this point we might say that each nation must derive its own concept of the measures necessary for control of the sea consistent with its own national aims and policies.

### III. THE DEVELOPMENT OF NATIONAL POLICY

This gives us a point of departure for exploring another pertinent and very important factor: the development of national policy. There is no more hackneyed expression than "national policy" nor one which is less understood. The national policy of a complex and highly organized country cannot be expressed in a single phrase, nor even in a single paragraph. National policy is made of many, many facets each expressing a viewpoint concerning some particular item of importance to the community. There will be national policy concerning all of the essential items which must be imported; these policies may even be reflected in national determinations so stern as to involve the use of force to protect them. There will be national policy concerning alliances and resistance, and national policies concerning the details of relationships with many individual countries. Nations have developed policies concerning expansion of their commercial or territorial boundaries and have even developed counterpolicies concerning the national policies of other countries in this respect. If one were to risk an all-inclusive definition of national policy it might be said that it represents the sum

total of national aspirations balanced against national capabilities. Consciously or subconsciously public thinking in these matters follows the pattern of the system of military logic and analysis which assesses desirable objectives against operational and logistical feasibility. In a word, then, national policy is an expression of feasible programs for the welfare of the nation concerned.

### IV. SEAPOWER IN THE SCHEME OF NATIONAL POLICY

It is virtually impossible to think of a nation which can or should totally disregard sea usage and seapower in the formulation of its national policy. Sea usage is an important thing in such precious days of peace as may be vouchsafed to us, as well as important in the ever-recurring armed struggles in which man must invoke power to insure usage. Here, again, we see that it is necessary to strike some balance between need and capability. Needs may be obvious, but the capacity for meeting those needs is rarely equal to the task. It then becomes necessary to seek those aspects of the problem upon which emphasis can best be laid and which may be undertaken within the resources available. From consideration of these conflicting factors—desirability and capability—will come decisions to undertake those feasible programs which will best serve the most important and critical requirements of the Nation; these decisions will be reflected in the size and composition of military fleets, the numbers and types of merchant ships built and operated, the harbor developments undertaken, warehousing capacities, the closely related factors of aviation, including aircraft and airfield facilities, all closely interwoven with—and in many respects governing—the dealings between the homeland and the distant communities with which the homeland has relationships.

At this point it is pertinent to note that the philosophy of national desires vis-a-vis national capabilities is being subjected to a new scrutiny born of the compelling need for nations to band together for their own safety. This trend toward federation—or call it what you will—has given rise to the idea that each should contribute to the common good that which it is best able to produce. This is more than merely an idea as is abundantly evident in the development of the so-called off-shore procurement program by which a community of nations avails itself of the special skills of each of its members for the common good. We have not heard the last of this international extension of the philosophy of reconciled desires and capabilities and we may well expect that this line of thought will be pursued in the military field under the general heading of "balanced forces." Inasmuch as this is a discussion of the principles of seapower, we can not digress very far concerning the many fascinating facets of this broader subject, but I pray your indulgence if I sound a gentle note of caution concerning the theory of balanced forces in its international implication. In an abstract sense it is proper that a balance of the land, sea, and air forces be sought in order that the necessary tasks and responsibilities in all elements may be as nearly capable of accomplishment as the purse permits; the one-weapon concept is suicidal if for no other reason than it is predicated on enemy action and reaction which cannot be predicted while, we on our side, would be shackled by a single rigid concept. Extension of this idea to the contemplation of international forces is inevitable because of the obvious attractiveness of—and occasional necessity for—pooling resources. Nevertheless, expediency could well dictate concentrations of effort which could not only seriously dislocate national economics but could conceivably deprive nations of strength elements critically important to whatever degree of sovereignty they decide to retain. Should there come a day when people are prepared to band together under the banner of a United States of freedom, this point may cease to be of importance, but until that day arrives, national governments must think carefully before deciding. It is my personal belief that the unity of communism imposes upon our side the obligation to give serious consideration to the fullest development of unity, but in the formative years of our progress toward freedom's federation, the theory of "internationally balanced forces" must be approached with caution.

### V. TOOLS OF SEAPOWER

Although we may conclude that we must use the sea to our advantage, we must also conclude, however reluctantly, that complete and absolute control is probably unachievable and that some selection must be made as to the control measures to be undertaken. It follows inevitably that this limitation must be reflected in national policy, the practical problem being the determination of the types and quantity of tools necessary to do the job.

There is always an inclination to separate the needs of peace from those of conflict in determining military posture. Perhaps, the danger of this expedient philosophy was greater in those remote days when peace appeared to be not only a reality but the normal condition. The hypnotic illusion of peace invariably resulted in the expenditure of defense appropriations upon the outward facade at the expense of the unglamorous backup of arsenals and stockpiles necessary for sustained effort. From bitter experience we know that a one-shot military establishment is not only doomed to reversals in a protracted campaign but also invites early jeopardy to national survival. Today, our disillusionment may in itself constitute an advantage in that it gives us a more realistic understanding of what the peacetime military establishment must be if it is to offer any hope of enduring security.

In its simplest terms the great military problem of democracies in peacetime is to provide a shield which will insure the ability to mobilize and to provide a holding security during the lead time required to produce the forces and the stockpiles needed for the winning of a favorable decision.

In the realm of seapower these axioms will be reflected in the size and composition of the active forces, the reserves of ships, planes, stockpiles, and trained personnel maintained, parallel arrangements in the merchatile marine, and certain trade and industrial provisions which meet the needs of peacetime and are readily converted to the requirements of emergency.

Those, of course, are generalities; to convert them into specific details there must be a sound understanding of:

A. National peacetime objectives;

B. The objectives of friendly competitors;

C. The philosophical and material objectives of those whose aims and ideals are in serious conflict with our own;

D. The objectives which we must seek in the event of hostilities; and

E. The probable objectives, capabilities, and intentions of those who are implacably hostile to us.

Many of these factors are closely interlocked, but in them the architects of national policy find the key to the tools they need—among them the tools of seapower.

They will furnish the key to a workable philosophy of defense and offense; and they will dictate, in large measure, the types of ships, aircraft, and facilities needed for the job, and the specific characteristics that must be built into those ships, planes, and facilities. And they will point the way to the best employment of maritime forces.

The objective student will soon discover that these needed seapower tools include far more than combatant types of ships and aircraft; the most superficial examination points up a strange array of requirements. To mention but a few; we will require special types of merchant ships, floating damage-repair facilities, queer-looking landing craft, flying freight cars, women in uniform, bulldozers, and what not. We will need fighters to beat off the threats from the air, and we will need attack aircraft to destroy threats at the source. We will need specially trained amphibious troops to seize and hold maritime bases; we will undoubtedly need legal control over the ships and personnel of the merchant marine while they are directly serving the Armed Forces. We will need an effective measure of control over all of the resources that supply, man, and utilize the lanes of the sea.

It is obvious and axiomatic that the necessary tools must be available; it is less obvious, but equally axiomatic, that whatever the nature of the tools required to control the sea, those tools must be firmly in the hands of and responsive to those whose task it is to control the sea. Perhaps the most controversial point involved in this thesis is that of aviation. Those whose responsibility it is to insure the use of the sea for our own security know, first, that sea-air power is an essential combination in these days; and they further know that it is essential that those who are responsible for the proper use of seapower must control the air arm of the sea-air team from its inception on the drawing board straight through to its tactical employment.

### VI. WHO SHALL WIELD THE TOOLS OF SEAPOWER?

The lore of the sea, and of the air above the sea, requires a lifetime of study for its mastery. Only those who are acquainted with the moods of the sea through long years of intimate contact with its whims and rages can evaluate the effects of those fits of temperament upon the ships and men who move about on the surface of the sea. Only those who live with the sea can properly design the

ships, planes, weapons, and equipment for use on, over, and from the sea. And, because human nature is what it is, only those who are responsible for the freedom of the seas can accord to that task constant and essential priority. Others who are charged with equally important, but very different, tasks under the great overall mission of security will inevitably accord to their own basic responsibilities a higher priority than they could ever give to what, to them, must be considered an ancillary job. For those powerful technical and phsychological reasons there can be no other conclusion but that the tools of seapower must be wielded by the navies, for only the navies are willing and able to do the job.

### VII. WHAT TOOLS ARE NEEDED?

We determine the nature of our implements from a study of the job that has to be done; the task is one of insuring the sea for our own use and denying it to the enemy. In order that the use of the sea may be guaranteed to us we need certain defensive equipment to ward off enemy attacks and, if it is at all possible, we must have the means for foiling the attack at its source. To deny the sea to the enemy we must make it difficult for him to build up maritime forces, we must harass his efforts to launch his maritime forces on their missions, and we must deny him the havens which he must have for replenishment and maintenance. Those thoughts can be translated into terms of combatant ships, various types of aircraft, mine fields, repair bases, radar screens, and whatnot. With the ever-expanding technology of our era, the means of offense and defense have become ever more complicated and it has been necessary to reach farther and farther afield, tactically—on both offense and defense—to insure the success of our maritime efforts. From this constant widening of tactical influence there has developed a new byproduct which in the future will play a most important part in any major struggles and which greatly enhanced the value of the sea-air force in the overall military team effort.

The exigencies of World War II produced many new, imaginative concepts for the waging of war at sea; among these were the development of carrier-air striking power and the creation of mobile logistic support; in combination, these two revolutionary techniques enable a properly constituted fleet to remain at sea almost indefinitely, capitalizing on extraordinary capabilities for surprise and concentration of force. The erstwhile limited theory of the classic, climactic sea battle was profoundly affected by a new ability to make use of the principle of constant attritional pressure.

In World War II as these new capabilities flourished, the naval forces were able to reach farther and farther into the enemy stronghold to strike him where he lived and, automatically, there was generated, as a byproduct, a capacity for rendering much close support to and cooperation with the ground forces and the Air Force.

Since the war this greater ability to render active support to other elements of a campaign has received continued and intensified scrutiny. The spotlight of NATO strategy places emphasis on this teamwork concept because of Europe's peninsular topography with its bordering seas to the north and the west and the south. Sea-air power is now of particular significance in the face of the preponderant Soviet power on the ground and the continuing likelihood of an unfavorable air power ratio between the forces of the NATO nations and those of the Communist bloc; in the face of early pressures which we must expect, carrier-air assumes a considerable significance as an important mobile tactical air reserve.

Needless to say, carrier-air is also a priceless asset in any worldwide campaign because it can be readily deployed into areas where pre-prepared air bases cannot be made available.

### VIII. PRINCIPLES OF SEAPOWER

History provides a wealth of source material for those who seek for the seapower principles which can be considered as being truly immutable and applicable to all eras; however, it is not always easy to discern the true and enduring fundamentals. History reveals extraordinary examples of rise to empire stature through appreciation of the meaning of seapower; and it also reveals tragic examples of failure which can be attributed to lack of understanding of the strategic meaning of the sea. This is not to say that the sea is the controlling factor in every international struggle; there have been countless conflicts between neighbors who drew little from the sea. But the epic struggles, the fates of the great powers, have almost invariably hinged upon the sea. Time does not permit me to dwell at length on this historical aspect, but a moment's consideration of the rise and the ultimate

fate of the ancient empires, the medieval city-states, the renaissance achievements of Portugal and Spain, the later preeminence of Holland and England, the strange story of Germany's struggles—all of these must instantly suggest the sea's importance.

At times in history it would seem as though mastery of the sea had been achieved almost accidentally and with little general understanding of the principles involved. Some nations, perhaps, grew to maritime greatness—and so to world power—through a slowly expanding process of trade stimulated by individual merchants; others were forced into a realization of the sea's importance as the highway for exerting the force and pressure of their armies. A few—and a very few—individuals saw the light clearly and discerned the physical and economic laws involved. Such a one was Nelson, whose simple thinking concentrated upon the enemy's sea forces as the single and everlasting goal. Instinctively, he knew that the destruction of those forces, wherever he found them, removed the enemy threat and assured his own country's ability to use the sea with unhampered freedom to its own advantage.

Of a different personal stamp was Mahan, an American who languished in a historical period of American maritime inactivity and one whose inquisitive mind, not content with idleness, examined into this business of the sea in a curious, detached, and scientific way. From his tabulations of causes, effects, factors, and results emerged certain ever-recurring patterns which gave a clue to the existence of underlying fundamentals of universal application. And this was no mean achievement because, throughout history, there has been an endless and confusing interplay between economics and armed forces, between need and capability, between weapons and tactics, each in turn seeming to be a cause, and each, at times, appearing in the role of a countermeasure. Fleets have been built to protect existing commerce, and, at times, commerce has followed in the footsteps of a roving fleet. But, from a welter of statistics, Mahan did succeed in sifting out certain basic material.

Any endeavor to codify principles and laws must be preceded by research which explores the entire background of the basic subject and every identifiable field of related interest. With quick strokes, I have outlined or, at least, have mentioned, the interest of small peoples and great nations in the use of the sea and have briefly pointed up some of the small and great factors that must be taken into consideration. The brief development of the subject which has been possible in a relatively short presentation seems to indicate that there may be only a very few fundamental principles in the science of seapower. It would also seem that, on the other hand, an infinite variety of minor principles of special application would be derived from the study of specific problems and situations.

The classic principles of war offer an interesting field for research and one can discern readily apparent applicability. The principles of mobility, surprise, concentration, economy of force, and others, all have an obvious place in the use of seapower, but sober thought quickly leads to the conclusion that these principles must be regarded as having strategic as well as tactical meaning. The tactical importance is easily understood but the strategic application involves functions and policies far beyond those with which the military commander is charged.

And there is another point which must be borne in mind concerning these classic principles of war: they were first isolated in an era when movement was sluggish in relation to time and space, and at a time when logistical support of military operations was a far more leisurely, simple, and restricted function than is the case today. Today's complexities tend to obscure the fundamentals but if these points are kept in view we can properly condition our minds for an examination of the principles of war which will leave them in proper focus and perspective.

In considering these principles in the abstract it will be quickly noted that there are strategic as well as tactical implications. And in relation to seapower we perceive that sea forces, with their high degree of maneuverability, capacity for redeployment, inherent ability to cloak their movements in secrecy, and capability for massing force at a selected objective, are peculiarly suited to strategic application of these principles. They can move about the world, completely independent of the restrictions of sovereignty which hamper ground forces and which very considerably affect air forces which need fixed bases from which to operate.

But once again it is necessary to look beyond the horizons, for "strategy" is not an exclusively military term; it encompasses all of the strengths, the pressures, the weaknesses, the capabilities, and the limitations of the body politic in its relationships, both in times of peace and in war, with other groups of nations, and with other geographical parts of the world. It tacitly encompasses industrial capacity, manpower in terms of quality and quantity, financial situation, govern-

mental philosophy, natural resources controlled and needed, availability of power, and virtually every aspect of the existence of organized humanity. From this maze of interlocking and interrelated pieces of the structure, there emerges the realization that no nation is self-sufficient unless its culture and its needs are so elemental as to render it unimportant in the scheme of things; with the realization of that fact comes the impact of the twin realization of the meaning of the sea to human life of the world. For the foreseeable future the bulk of the men and materials that move around the world must be transported by the sea, and the protection of that sea commerce is of some importance to every community throughout the world.

To revert to a point made earlier, it should be mentioned that here, too, in the realm of high national strategy, it is usually necessary to select for emphasis those factors which would contribute most to the aims of the nation concerned and which are feasible in terms of national resources and capabilities.

### GENERAL PRINCIPLES

This progressive discussion seems to indicate that governing the art or science of seapower there are general principles, and certain minor principles of varying and selective application and yet my reflections, up to this point, actually lead me to the conclusion that there may be only two great basic principles governing the politico-military science of seapower:

1. Every nation depending in any degree upon the use of the sea for its economy and security must insure to itself that measure of control of the use of the sea which is commensurate with its need.
2. Control of the sea is not an absolute function in that it only involves the insurance of the degree of use required, and the denial of specified functional use by unfriendly or inimical groups of nations.

These two fundamentals are political in concept and their implementation involves decisions concerning economic factors as well as factors of purely military nature.

I think that it must also be concluded that any attempt at comprehensive codification of minor principles of special and selective application would not only be a most laborious task but might well prove to be harmful rather than helpful. The permutations and combinations of political, economic, sociological, strategic, and military factors which must be balanced out in any determination of seapower policy are so great as to defy simple tabulation. Perhaps it would be best only to say that the special principles governing each situation must be derived from the existing and pertinent factors of need and capability.

### IX. TODAY'S MANIFESTATIONS OF THE PRINCIPLES

The world situation as it exists today offers many examples involving the conscious invoking of seapower and also examples of the relentless effects flowing from causes that have been forced upon reluctant nations and groups of nations. Today, in many parts of the world the maritime powers are successfully exerting pressures and influences which are powerfully supporting their goals and purposes. There are numerous other examples, great and small, of national aspirations being restricted and confined because of circumstances which deny them some measure of use of the sea. It would not serve the purpose of this discussion to attempt elaborate illustration but, consciously or subconsciously, the world realizes that the United Nations' efforts in Korea could not be sustained if control of the sea were lost. We in NATO, know that the specter of starvation and failure would be looking over our shoulders were we to lose control of the Atlantic and the Mediterranean. Looking farther afield, it is all too readily apparent that the struggles in southeast Asia would be hopeless were the forces of freedom to be denied the use of the seas. A hundred examples, smaller in the scheme of world affairs but vital to the fortunes of small nations, would suggest themselves from a most casual inspection of the map of the world; to virtually every nation, denial of the benefits of sea commerce would bring heavy impacts on economies, standards of living, and, as a concomitant, upon governments and policies. This all might be summed up in one simple shocking statement: "Loss of the seas would herald the end to freedom."

### X. THE SPECIFIC ROLES, MISSIONS, AND FUNCTIONS OF NAVIES

Thoughtful consideration must inevitably lead to the conclusion that seapower is not a purely military problem; it is a basic factor in the highest scheme of governmental strategy. But to effectively make use of seapower military tools are

important in time of peace because of the implicit intent behind the maintaining of the tools of seapower. In time of war, of course, the importance of the military tools is obvious. Owing to the fact that the creation of the military implement stems from the higher political considerations I have placed the prior emphasis on those national policy aspects rather than on the employment of the tool itself. However, no discussion of this sort would be complete without some mention of the military devices which must be brought into play in support of seapower policy.

When, through consideration of fundamental factors, the applicable principles of seapower have been derived, and when general conclusions have been reached concerning the manifestation of those principles in the geopolitics of today, it is necessary to examine the specific roles, missions, and tasks which should be assigned to maritime forces in order that their proper functions may be discharged with the utmost of efficiency and economy. To do this does not require elaborate discussion of tactical and technical matters but it should be obvious that the general conclusions concerning roles and missions must be predicated on sound and wide professional knowledge. It should be equally axiomatic that dissenting opinions should, before being accepted, be carefully examined in the light of competent professional opinion.

We have seen that the general principles of maritime power are few in number and broad in scope and we have seen that few if any detailed supporting principles could be applicable to all of the variety of situations which exist, nationally and internationally, throughout the world. For the same reasons, it is impossible to write exact specifications for the roles and missions of navies in such manner as to be applicable to each and every navy throughout the world. The roles and missions of a powerful maritime establishment serving a large and powerful country will be entirely different from those which must be prescribed for a smaller naval establishment serving a smaller nation. Within each nation there will have been a determination as to how its defense budget will be spent and, depending upon its political and geographic situations, the navy will be tailored to the needs of the country in terms of its other security problems. If one were to attempt a definition of the proper job responsibilities of navies throughout the world it would only be safe to say that a naval force must gain and maintain that degree of control of the sea prescribed by national policy; depending on the nation involved, that presumption might involve oceans or it might only have to do with some narrow arm or area of the seas.

### XI. SOME RATHER SPECIAL THOUGHTS ON THE SUBJECT OF SEAPOWER

Any comprehensive study of this subject will inevitably open vistas down various and sundry paths of digression. Sometimes excursions into the bypaths are necessary for rounding out an understanding of the subject. At other times, we find in the course of these side trips that we have followed a will-o'-the-wisp. Nevertheless, all study and all research are founded on objective consideration of the many factors that appear to be related, and the scientist, in any field knows that he must be prepared to reject the unrelated as well as to recognize significant applicability.

The studies and the disputes concerning sea power have led public opinion down many of these bypaths, and, because public opinion is frequently formed by processes something less than scientific, a measure of confusion has developed from time to time.

At times some particular set of national needs has found expression in the building of a particular type of fleet which, once built, continued to exert powerful but specialized and restrictive influence on subsequent political trends.

The Battle of Jutland exerted a tremendous influence on naval thinking between the two world wars and many of the conclusions and much of the doctrinaire thinking that resulted from concentrated study of the tactics of this epic battle proved to be fallacious as a guide to meeting the impending threat of World War II and for coping with the developments of World War II. Clarity of hindsight shows us that by properly separating the purely tactical aspects of the operation from its strategic implications and by recognizing the fact that the tactical circumstances were peculiar to the moment, the locale, and the forces, the perspective of the world's naval thinking would have been clearer, and naval analysis more prophetic. The fact remains that studies of Jutland, to a considerable extent, stultified maritime thinking, and true objectivity was submerged in what became a sort of Jutland ritual among seagoing people in those intervening years between the two world wars.

Jutland is a fine example of the fact that whereas valuable lessons can be derived from the past, the past can also blind us to the changing circumstances of today and to the trends toward the future. Perhaps there is no greater test of human judgment than this problem of winnowing out, from history, the immutable things as opposed to conclusions of limited applicability in terms of circumstances and era.

We hear much about the cost of seapower. Much that we hear is misleading and much that we hear represents bits of budgetary analysis presented out of context and not comparatively displayed against the other elements of the total cost of security and defense. Of course it is costly; but when it is essential to survival itself, the cost must be met or the grim alternative accepted as a calculated risk. On the other hand, in terms of durability, self-sufficiency, and utilization of manpower, the actual cost of the tools of seapower compares most favorably with the price which must be expended in other defense activities. In great measure the sea-going manpower lives on its weapons and requires no expensive housing. The mobile application of seapower only requires a modest system of bases which do not drain too much money and manpower into nonproductive support expenditures. The forces of seapower can do much to sustain themselves in the course of their own normal operations.

All of this is not to offer some silly argument that the other defense elements are superfluous or that seapower is the answer to all problems. These thoughts are, however, offered with the thought that any proposal to dispense with powerful and competent seapower is equally silly and not supportable by the facts.

### XII. SEAPOWER AND NATO

The wish has been father to the thought many times in the development of national policy. The shining light of hope many times has blinded humanity to the inevitable weaknesses of human nature and the frailties of communities of human beings. In our own lifetime we have seen the dramatic signing of altruistic treaties and limitations agreements—and we have seen the relentless pressures of changing times bringing disillusionment and the cyclic return to life's fundamental principle that only in strength lies true security. A sense of danger and a desire for security led to the creation of this organization which we are serving here today. Neither the military organization nor that part of the economic alliance which resides in Europe is yet strong enough to guarantee our collective defense. Should we be put to the test, much assistance from overseas must arrive if the purpose of our treaty is to be fulfilled. In the last analysis it will be the soldier, defending the good earth, who will determine whether the struggle is won or lost, but if his rear avenues to resupply and assistance are cut he cannot survive. Without adequate control of the sea, and without the ability to deny its sinister use to the enemy, NATO will perish. That, in its starkest terms, is what seapower means to NATO.

In the constant struggle between the national economy and the needs for defense, military budgets are torn by the real but conflicting needs of the various elements. In this struggle can be detected a definite pattern of sacrificing naval strength. Perhaps, in Europe, that trend is justifiable if the national-defense budgets cannot possibly be increased—those are things for governments, and the highest NATO councils, to debate and to decide. But before they affix signatures to paper they must, and I say must, reflect on the absolutely certain disaster that will befall us if an enemy drives our navies from the seas.

### XIII. WORLDWIDE SEAPOWER AND THE STRUGGLE BETWEEN COMMUNISM AND FREEDOM

Nor must we become too completely preoccupied with NATO. We must bear in mind the fact that the inimical influences against which we are barricading ourselves emanate from a central mass which radiates its pressures in every direction and whose push can be felt not only in the Atlantic community but also in the Pacific, the Arctic, the perimeter of Asia, and the Middle East. It is inevitable, if the forces of freedom are to obtain the optimum results within the scope of their capabilities, that there must be a system of counterpressures and resistances which is as unified, as coordinate, and as global, as are the pressures which are being thrust against us by communism.

From this it can only be concluded that there is need for a worldwide planned program for the use of allied seapower representing the best possible distribution of the maritime resources of all of the nations banded together to defend them-

selves. How this global pressure shall be wielded and who shall do the wielding, is not important in the abstract—it is the same enemy and there will be the same forces and the same jobs to do. I could not say that the method of control or command is not important because that would be a starry-eyed ignoring of the facts of nationalist thinking which still remains in the list of what we call the facts of life. But, in the abstract it certainly can be said that if we have the good will to do so, we can make the optimum use of our maritime resources regardless of the arrangements which are set up by the governments concerned.

### XIV. CONCLUSION

From all of this it would seem that conclusions, with respect to seapower, must be sorted out into two general categories. One of these is primarily national in character but cannot be considered in isolation, for in these days and times the national problems are rarely unrelated to those wider conslusions which are derived from international groupings and worldwide conditions.

In the national sense a nation must determine what sea forces would be desirable; it must then go through the painful process of evaluating its maritime needs against its requirements for armies and air forces; these, in turn, must be balanced against other national budgetary requirements; internally, within the sea forces, there must be decision as to the composition of those forces. Those are unilateral national problems and as long as the present philosophies of sovereignty persist, they will remain to a great extent problems for unilateral national solution. However, there are outside influences which must be considered.

In any effective grouping of nations for the promotion of their own welfare and security, it is inevitable that there be some pooling of resources and some reciprocity of benefits in terms of what each can best supply. Eventually any such approach to collective thinking will call for a consideration of the mercantile and military aspects of seapower, and history is replete with examples of agreements whereby one or more nations furnished sea security to others. This is certain to be an ever-recurring topic in NATO's deliberations. But NATO is not a self-sufficient grouping for the blunting of the Communist drive.

The pressure and impetus of communism is centered in the Russian heartland and radiates in every direction to every part of the world. Therefore it is inevitable that every nation, interested in defending itself against the encroachment of the Communist ideology and the aggressive pressures of communism, must contribute an appropriate share to all of the factors of resistance including, for the sake of this presentation, some measure of maritime effort. There is no absolute yardstick for measuring appropriate contributions; decisions can only be reached on the basis of complex discussion and negotiation. But if freedom is to survive, the world of freedom must be organized to retain the seas for its own essential use. If this final conclusion is justified, then it carries with it a solemn warning that freedom will perish if freedom loses its mastery of the seas.

NATO will perish if it fails to hold the Atlantic and the Mediterranean. Seapower, alone, will rarely be the sole decisive factor in a major struggle, but seapower will always be a major contributing factor and cannot be neglected. Despite the popular appeal of any new and hopeful diplomatic doctrines, clean decision in major conflicts will be obtained by the ground soldiers holding critical territory. Airpower, offensive and defensive, will play its vital role; but in a major struggle both landpower and airpower are almost exclusively consumers and it is maritime strength which makes it possible to feed the maws of the other two services as well as contributing importantly to the offensive and defensive aspects of the military struggle.

Imperialism is a word which, today, has come to have troublesome connotations but in any great alliance involving hundreds of millions of freedom-loving people the importance and the problems of the sea will inevitably bear close resemblance to those maritime problems which confronted the other great federations and political arrangements of history; throughout history the powerful and farflung political coalitions stemmed from many different concepts—commercial, religious, political, good, and bad—but if their objectives depended upon successful use and control of the sea, the basic requirements and tasks were extraordinarily similar. From that fact NATO, and any broader organization, should one develop, must come to the conclusion that this new and great spiritual empire will continue to rise and prosper only so long as it is preeminent at sea, and if that preeminence is lost we must begin writing a sad and final chapter, and the title of the story will inevitably be: "The Rise and Fall of Freedom's Empire."

Mr. SANFORD. Rear Admiral Gallery wrote an article published in the May 1953 issue of the Reader's Digest entitled, "Seapower—Keystone of Airpower." I have several copies of that which I will be glad to hand to Mr. Drewry.

Senator POTTER. Without objection, it will be made a part of the record at this point.

(The material referred to is as follows:)

[From the Reader's Digest, May 1953]

SEAPOWER

KEYSTONE OF AIR POWER

By Rear Adm. D. V. Gallery, United States Navy

Daniel V. Gallery graduated from the United States Naval Academy in 1920 and became a naval aviator. In 1944 he was captain of the baby flattop *Guadalcanal*, which captured the German submarine *U–505* off West Africa—the first high-seas capture of an enemy warship by an American vessel since 1815. Code books were obtained in this capture which, from the viewpoint of Naval Intelligence, were the greatest windfall of the war. Admiral Gallery is now Chief of Naval Air Reserve Training.

In the next few months a bitter dispute affecting the future of the United States must be settled, once and for all.

The dispute centers around two great ships of war whose hulls are now taking shape in shipyards at Newport News and Brooklyn—the aircraft carriers *Forrestal* and *Saratoga*. These vessels, if completed, will do much to insure that our country retains the control of the seas which has made it strong.

But powerful influences are at work to stop construction. An unofficial group of zealots called the Air Force Association is now pressuring Congress to scrap these two ships, just as former Secretary of Defense Louis Johnson scuttled the partially finished carrier *United States*.

The question "Does the country need the *Forrestal* class carriers?" is one of the most far reaching facing the new administration. John Q. Taxpayer, whose neck and money are at stake, has a right to know the correct answer. I propose to give it to him.

Few of our citizens realize that we have become a "have not" nation, and must import a great deal of the raw materials needed to keep our industry rolling. As the atomic age begins, we have only 7 percent of the world's population, we own only 2 percent of the planet's surface, and yet we consume nearly half of all the raw materials taken from the earth by the free members of the human race. To cite only one example of our urgent need for imports, much of the material in our latest jet fighter plane comes from overseas.

How, then, can we remain the world's leading industrial nation, with the highest standard of living? How, with half the world alined against us and bent on destroying us, can we stay on top? What made this country great and will keep it strong is seapower—ability to use the ocean highways to bring in such essentials as rubber, oil, manganese, bauxite, uranium, and to export munitions and plowshares to our friends and allies overseas. Seapower is the key to greatness in the modern world just as it was in the days of the Greeks and Phoenicians.

It is not belittling airpower to say that it can never replace seapower as the world's basic means of transportation. It is simply stating one of the economic facts of life. It costs $36 to send a ton of cargo to England by sea. The air rate may run as high as $1,700 per ton. But the cost in dollars means less than the cost to the world's limited fuel reserves. It takes 30 pounds of black oil to haul a ton of freight across the Atlantic. It takes 2 tons of high-test gasoline to do it by air. If it were possible to organize a gigantic airlift capable of handling all our imports, we would soon devour the world's whole supply of oil.

The seven seas of the world, covering three-quarters of the earth's surface, are broad highways to a nation with seapower. They lead to the mineral riches which are the sinews of industry. Those same seas are barriers to a nation which lacks seapower. Napoleon and Hitler both found this out to their cost, on the shore of the English Channel.

But seapower is not only the foundation on which our industrial system rests; it's the keystone of our global strategy and national-defense structure. All United States defense plans depend on the basic assumption that we control the seas and can supply armies and air forces on the opposite shores of the Atlantic or Pacific oceans. Remove seapower and we become an insular nation, with our defenses backed up to our shorelines.

There are many aspects of seapower, the most familiar and glamorous being our Navy. But the backbone of seapower is not the battleship or aircraft carrier but the lowly, peaceful merchant ship. Sink those merchant ships and our powerful battle fleets would never be able to leave harbor. The airliners which zoom across the Atlantic would be grounded were it not for the plodding tankers which they pass en route.

Russia's sea strategy hinges on submarines—more than 300 of them. Hitler started World War II with 60 submarines. The men in the Kremlin have not missed the lesson of the Battle of the Atlantic.

We now have the world's greatest merchant marine, about 4,000 ships totaling 32 million tons, nearly one-third of the total world tonnage. Of all the world's merchant vessels, 75 percent belong to us or our allies. It is to keep these merchant ships moving that we need a navy. Great ships of war like the new aircraft carrier *Forrestal* are really the servants and guardians of the merchant ships.

The zealots of other branches of the Armed Forces say, "But why must we have battleships and carriers? All we need is destroyers to escort convoys and beat off submarine attacks." This is a dangerous mistake. One of the surest ways to cripple our seapower, and to lose it eventually, is to reduce the Navy to a purely defensive force designed to fight last-ditch actions within sight of a convoy. After what the Japanese did to our seapower and airpower at Pearl Harbor, and what Halsey's fleet did to the Japanese homeland, we should appreciate the advantages of offensive over defensive warfare. You invite disaster when you wait passively for the enemy to carry the war to you.

The place to kill submarines is while they are en route to the convoy lanes, or, better still, in their bases or building yards. The best way to defend the sealanes against air attack is to destroy the enemy aircraft on the ground, at their bases. To do this you must have carrier task forces which can slip in close to an enemy shoreline, hit him unexpectedly and fight their way out again if necessary.

A carrier task force is probably the most compact package of mobile power in the world today. It's an airbase capable of launching atomic attacks, and it is heavily defended by fighters and antiaircraft guns. It can move from Iceland to the North Cape of Norway, or from Gibraltar to Suda Bay, Crete, in 48 hours.

It has been argued that task forces are sitting ducks for shore-based bombers. But you can't tell a large bombing group simply to fly "out thataway" and sink an enemy task force. You've got to scout thousands of square miles of ocean and find that task force first. Then you've got to shadow it and report the minute-to-minute changes in course and speed while the bombing attack is being mounted. This shadowing job is an extremely hazardous occupation, as many Japanese fliers now enjoying their eternal reward could testify.

You often hear the question, "Why do we need a big Navy when Russia has almost nothing but submarines?" This question assumes, mistakenly, that the real purpose of a navy is to fight formal naval battles. The purpose of a navy is to protect merchant shipping. Russia has only 2 percent of the world's merchant tonnage and, with her marginal standard of living, needs little. If our merchant marine were driven from the seas, it would be a crippling blow. If Russia's were, she could simply tighten the screws on her slave labor and satellites.

Even in peacetime a powerful navy serves many far-reaching purposes. Our Sixth Fleet in the Mediterranean helps stiffen the backbones of countries near the Iron Curtain. It is a stabilizing force, an instrument of diplomacy as well as war. In the 1948 Italian elections the presence of powerful friendly ships in the harbors of Genoa, Naples, and Taranto counted heavily against Communist promises and claims. Similarly, carrier task forces anchored in Piraeus and the Bosporus at regular intervals had much to do with the decision of Turkey and Greece to enter NATO.

The presence of these ships at critical times and places is no accident. The Navy sends them there at the request of the State Department.

The idea of a quick, cheap, and sure substitute for an integrated defense which includes seapower is a dangerous will-o'-the-wisp. Even if we gamble on the atomic-blitz concept we've got to have seapower to accomplish it. Cut off our imports and there would be no bombing planes and no atom bombs. With all our

mechanical genius and scientific brains, we can't grow bauxite and uranium. We've got to dig them from the earth in out-of-the-way places where nature puts them. As we develop the newest weapons we become even more dependent on these imports, because such weapons require materials that are almost out of this world—and certainly out of this country.

There is much talk in Washington these days about "balanced" forces. This usually means an equal slice of the budget for each of the three services, Army, Navy, and Air Force. This idea makes no more sense than the concept of giving it all to one. Some services have a higher overhead than others and need a bigger percentage of the budget just to keep going. At present the Navy and Marines combined get 25 percent of the total defense budget. The taxpayer is getting his money's worth out of the Navy's part of the defense dollar: all of our seapower, plus a large chunk of our ground and airpower. (One-third of the U. N. aerial missions over Korea are Navy or Marine Corps; one-sixth of our front-line ground troops there are Marines.)

A great deal has been written lately about the necessity for "invincible airpower." I'm a strong supporter of "invincible airpower." In fact, I'm for any kind of invincible defense that can perform as advertised. Seapower is not a competitor of airpower; it is the key to "invincible" airpower, supplying the material that goes into the planes and the gasoline that keeps them flying.

In this modern era seapower confined to the surface of the water is no power at all. It's just an invitation to enemy attack. Take the airplanes away from the Navy and you lose your seapower. England found this out from bitter experience in the Battle of the Atlantic and had to transfer the Coastal Command in the middle of the war from the RAF to the Admiralty. This is one lesson which Americans should not forget.

But the Air Force Association's slogan, with glib superficial appeal, is: "An army, a navy, and an air force—but only one of each." The men of the Air Force Association are not yet attempting to take all the Navy's planes away by frontal assault. This year they center their attack on the *Forrestal* carriers because, if they can kill these ships, naval aviation will die on the vine in a few years.

The last new carriers built by the Navy before the *Forrestal* were designed in 1943. In the 10 years since then, aircraft performance has increased by leaps and bounds; planes are bigger, faster, and burn more fuel. Meanwhile, airfields have grown, too: In 1939 there were no runways in the United States more than 4,500 feet long; now there are more than 500 such runways. The *Forrestal* carriers, only one-third bigger in tonnage than the *Essex* class, are designed to reflect in our carriers the past 10 amazing years of aviation progress and to improve seagoing air bases as we have our land bases. Unless we have these ships, the jet age will go right past our naval planes and naval aviation will die of obsolescence.

Ask any manufacturers who make airplanes for the Navy today, "What kind of planes can you give us for 1955?" and they will answer with another question, "What kind of carriers must we design them for?" If you say, "*Essex*," they will simply shrug and say, "You might as well give us repeat orders for what you're getting now." But say, "*Forrestal*," and they get a gleam in their eyes and tell you some amazing tales. Unless some great prophet can guarantee world war III will never come off, we've got to move ahead to the *Forrestal* class, or doom our naval aviators to fighting next time in pre-MIG planes.

The label "super carriers," hung on the *Forrestal* class by headline writers, is misleading. Actually these modern carriers will be only 80 feet longer than the *Midway*, designed in 1943, and will displace 60,000 tons instead of 45,000. Their major improvements are wider and stronger decks, more powerful catapults, more fuel capacity and greatly improved landing facilities. They will have flush decks with no stacks and island to block the landing area, and in the so-called canted deck will have one runway for landing and another for take-off.

These ships will, of course, be able to launch atomic attacks, as can the *Essex* class now, but this is incidental to the primary purpose of the ship. Strategic bombing is the Air Force's job, on which the Navy can help if called upon.

The Air Force Association argues that guided missiles now nearing the production stage will make sitting ducks of all ships. They say, "We have antiaircraft missiles that seek out and destroy robot airplanes making 10 times the speed of the *Forrestal*—and dodging in 3 dimensions. How can a huge ship avoid such missiles when even a small plane can't?"

The answer is simple. You can put several hundred tons of guidance diddlers and jammers in a ship like the *Forrestal* to befuddle the mechanical brain of a missile. But you can't load up an airplane that way. The new antiaircraft missiles actually will result in great improvement in the defenses of naval task

forces against both missiles and planes. And remember: the Navy survived guided-missile attacks off the coasts of Japan in 1945 from missiles with smarter guidance systems than man will ever design—kamikazes, steered by human brains.

Another argument that the Air Force Association produces at regular intervals is a set of figures, compiled by that great naval strategist Drew Pearson, which claims to show the relative costs of a naval task force and a B–50 bomber group. This is a futile business, like comparing police and fire departments—two apparatuses designed for different purposes. The task force can do a bombing job as an incidental, extra chore; bombing is the B–50 group's only job. Besides, you can make that cost argument come out any way you want, depending on how you charge off items like navy yards and drydocks against the task group, and airfields, antiaircraft defenses and the training establishment against the B–50.

Speaking of costs, President Truman signed an appropriations bill last summer which allotted $1.8 billion to the Air Force for the construction of bases in Greenland, Africa, Europe, and the Far East. These bases, if properly supplied and supported by seapower, will extend the range of our Air Force to the far corners of the globe. That same bill appropriated about one-eighth as much money to build the second *Forrestal* carrier. This is simply insurance on our huge investment in overseas bases. We could lose the use of those bases through diplomatic "snafu" or through capture by the enemy. But in the event of capture, our naval task forces could atomize them and deprive the enemy of their use.

Carriers are never captured. Only four large United States carriers were sunk in the last war, and that was before we learned how to fight fires. Another thing about carriers is that you can bring them home when the war is over and put them in mothballs till the next time they are needed. Three of the carriers now off Korea came out of the mothball fleet.

The Air Force Association's corps of public-relations experts is now pressuring Congress to stop building carriers. But the essence of the situation is this: Our industrial Nation depends upon its imports, and we must control the seas to survive. We must control the air above the seas and the depths below, at the critical points, if our cargo ships are to be safe. We've gone as far as we can in modernizing the *Essex*- and *Midway*-class carriers. Now the Navy needs the new *Forrestal* class. We have already laid the keels for two such carriers, and propose to lay 1 per year for the next 10 years. The third or fourth ship may be atomic-powered. This program is aimed to hold and exploit one of the few real military advantages we now have over the Communists—that of seapower.

A have-not nation with the overseas commitments of the United States is inviting disaster if it neglects seapower. The *Forrestal* carriers will keep that seapower up to date.

Mr. SANFORD. In the latest issue of the Proceedings of the United States Naval Institute (July 1953) there are two thought-provoking articles on seapower, one by William Hessler on Mid-Century America—Empire Without Imperialism and the other by Capt. George H. Miller, USN, on Must We Live in Fear.

I have several copies of those proceedings which I will be very happy to hand to Mr. Drewry for the subcommittee's use.

Senator POTTER. Without objection, it will be made a part of the record at this point.

(The material referred to is as follows:)

MID-CENTURY AMERICA: EMPIRE WITHOUT IMPERIALISM

By William H. Hessler [1]

If we are to judge from the objective record of history, it would seem that salt water is the natural cement of empire. For across the centuries, nation after nation has risen to towering stature in world affairs, only to give place to some other; and the zenith of world power for each of them has coincided with its mastery of the seas. This principle should help us to set in true historical perspec-

[1] A graduate of the Naval School of Military Government of Columbia University, Mr. Hessler served with the Fast Carrier Task Forces during operations of 1945. Subsequent to Okinawa he was at CinCPac Advance Headquarters. Author of Operation Survival, a study of American military policy, published in 1949, he is at present Foreign Editor of the Cincinnati Enquirer. He has won the Naval Institute's Prize Essay contest three times.

tive the dominant role of the United States in the mid-20th century world. For with America, as with other nations that have risen to hegemony, the zenith of its global power coincides with the possession of a maritime strength overshadowing that of other nations.

The United States in the 1950's is strong in every aspect of military power. But in only one of the several military arms—seapower—does it have such strength as to tower above all other countries in combination. Yet the America of our time, even though it occupies the place of great eminence that sundry empires have held in past centuries, is not an imperial power. The bases of its greatness differ from those of historic empires. And its relationship to the world differs correspondingly. America in midcentury is truly an empire, but only if we take some liberties with the word and stretch it to cover a type of national development unique in history.

The grandeur of Spain in its greatest age rested on various circumstances and forces—on the unfolding opportunity revealed to venturesome men by the Age of Discovery, on the driving power of religious conviction and missionary zeal, on the sensational abundance of precious metals in the New World, and on the vast flow of wealth back to the wharves of Sevilla. But, above all, Spain was able to seize opportunity and to be the premier nation of the 16th century because her galleons and the men who sailed and fought them were the best on the seas. When they ceased to be such, and Spain no longer could assure herself undisputed sea communication with the Americas, the decline of Spanish world power commenced. It continued until one of the greatest empires of history was wholly liquidated. Maritime power was not the central cause of Spanish primacy, but it was the instrumentality.

Great Britain's world dominance, spread across the 18th and 19th centuries, owed its long endurance to the fact that it was solidly rooted in seapower and in commercial enterprise and was backed up by a high order of statesmanship. It was dramatically foreshadowed by the defeat of the Spanish Armada, just before the beginning of the 17th century. But its origins lay in the headstart the British enjoyed in the great industrial revolution that was to change the whole nature of the world. Insulated in some measure from Europe's interminable, petty wars by 20 precious miles of salt water, Great Britain became a unified, modern state before the others. Driven to overseas trade by the very meagerness of their natural resources, the British made their island the workshop of the world; and their merchant fleets spread out over all the oceans, to extend the commercial and, in time, the military power of the United Kingdom. Thus the British put together an "empire on which the sun never sets."

Britain's empire was not built primarily by conquest, although military force was employed repeatedly in the subjugation of India, for example, and in many, many lesser segments. Maritime trade held the key. British traders went out in ships to buy the raw materials and to sell the products of a manufacturing and processing nation. British investors went out with the surplus profits of a thriving industrial system to commence the economic development of other lands. In time, British soldiers went out, in modest numbers, not vast armies, to tidy up the conquests made initially by seafaring merchants. Britain's surplus people went out in ships to open new continents and to settle North America and the other English-speaking dominions. Civil servants went out to provide discipline and order in the colonies, to establish the rule of law, and lay the foundations of democratic self-government in a quarter of the world.

All this was possible because British merchantmen could sail the oceans in measurable security and because British troops could be landed in unruly colonies and then be supported or reinforced by sea. For two centuries the great banking houses of London were able to guide the flow of most of the world's risk capital into underdeveloped areas—to England's sumptuous profit—because fighting ships of the Royal Navy were at hand to protect sea communications to all the continents, and, when necessary, to exercise that punitive force which insured the open door to British commerce and investment. Indeed, in the early period of the building of the British empire in South Asia and Africa, it was nearly impossible to distinguish between commercial enterprise and governmental activity. India was opened to trade and governed initially by a great commercial company, not by public agents of the British Government. But the security of sea communications was the prime prerequisite, and this was the task of British naval power.

This is not to say that seapower is a generating force in the course of empire. It is nothing of the sort, except as the strategic requirements of a fleet may call for the acquisition of a few outlying bases. Even the most stupid monarch would

never have launched a colonial war or ventured on imperial expansion merely to make use of a fleet he happened to have at hand. Seapower, rather, is a tool of national or imperial policy. It is an instrumentality of government. Once a government is led to extend its authority into new territories—in quest of overseas markets, or to convert the heathen, or to protect its nationals abroad, or from any other incentive—seapower becomes the weapon of policy, whether for good ends or bad.

What has been said of the Spanish and British empires in their epochs of greatness might be said with some modifications of the empire-building of Portugal and the frugal, systematic colonial expansion of the Dutch. France provides a quite different pattern, but proves the same point. For the heart of the French imperial system is in northern and central Africa, lying just across the Mediterranean from the homeland. In consequence, French seapower has been employed in an effort above all else to link France and her African colonies by secure control of the western Mediterranean.

In each case, empire has been the product of commercial enterprise, surplus population, investment, religious zeal, the humanitarian spirit, or the sheer vanity of monarchs—or some combination among these. Yet in each case, empire has emerged only when the catalyst of seapower has been present and active. It has been the agency through which these generative forces have brought about the extension of national power to imperial dimensions.

It is not only the empires created in the last five centuries that help to clarify our central thesis. There is something also to be learned from the empires that never quite came off—the grand designs of ambitious nations that collapsed before their empires could be buttressed and consolidated. Several times, Germany was the premier military power of the world. And in one period, from the turn of the 20th century until the Battle of Jutland, Germany was also an eager bidder for naval supremacy. That, furthermore, was the period when Germany had something of an empire, with possessions in Africa and among the great and small islands of the Pacific. As long as Wilhelm's Germany had a great fleet, a German empire was building. When the high seas fleet was eclipsed, proving again the ancient rule that a second-best fleet is worth next to nothing, the German empire was doomed. Soon after, it was dismantled. The Kaiser's Germany mustered the greatest army known up to that time; but without sea mastery it could not assert its claim either to domination of Europe or to an empire overseas.

After a generation of uneasy peace, another Germany, that of Adolf Hitler, made a new bid. Hitler in fact carved out for his Reich a continental empire reaching from the Pyrenees to the North Cape of Norway, from the English Channel to the Black Sea. But it did not last 1,000 years, as he had boasted it would. It lasted from 1940 to 1945. There are various reasons why it lasted only 5 years instead of 1,000 years. But chief of them was the fact that its evil architect relied too greatly on superior ground and air forces. He was defeated by salt water, for without seapower he could not draw on overseas sources to support his war machine, he could not support his forces beyond the Mediterranean in North Africa, he could not invade the British Isles, and he could not prevent the marshaling of the vast power of the United States and its deployment by sea into Africa and Western Europe.

Hitler was more cunning than Wilhelm and his councilors, for he sought first to build a continental empire and only then reach out into West Africa and Latin America and South Asia—where he already had laid the groundwork for Nazi conquest. With greater patience, he might conceivably have succeeded; for once he commanded the bulk of continental Europe, he had the shipyards and heavy industry to create the engines of seapower—the only possible key to that global expansion of which he dreamed. Fortunately for the world, he was impatient.

Japan's bid for great empire was more methodically planned, was marked by greater patience, and by far greater reliance on seapower, as befitted an island nation. Before the war, this waxing empire embraced Korea and Formosa, and the three clusters of diminutive islands that dot the central Pacific, which the Japanese scooped up after Wilhelm's bid for empire failed. But the imperial system blueprinted in Tokyo was something immensely greater than this. It was to serve a highly industrialized Japan as Britain's 19th century empire had served her industrial and trading economy. At its greatest extent, Japan's empire embraced Manchuria, most of China, all of southeast Asia, the whole of Indonesia, Burma, and even a segment of India. It lasted in this massive form from 1942 until 1945. Many factors—and many American fighting men—had a hand in its collapse. But if we are to single out a central factor, we may say Japan's bid for great empire folded up because the Japanese did not have enough seapower to protect

it. More specifically, they did not have enough air-sea power to win the crucial battles of Coral Sea and Midway, or enough antisubmarine seapower to prevent the slow, relentless strangulation of their home islands by undersea blockade.

Those successful empires that matured slowly and then endured for many years define for us the vital role of maritime power. So in a negative fashion do the abortive imperial designs that nearly came into secure existence, but stumbled on the very doorstep of empire. The command of sea communications holds the key, whether it be used patiently and unobstrusively, as by the British or the Dutch, or whether it be employed with frenetic haste, and unsuccessfully, as by Germany or Japan.

Is the attainment of great empire possible by other means than seapower? There can be no conclusive answer to this question. Hitler's bid for world domination and its failure would suggest that in the conditions of the 20th century it is not possible to achieve a true world hegemony without command of the oceans. But there is one possibility we dare not overlook. Asia, Europe, and Africa form a vast continental complex. It could be a wholly self-contained region, with six-sevenths of the world's people and most of its natural resources, were it brought under the discipline of a single imperial authority. And while the link with Africa is a tenuous one across the Suez Peninsula, it is at least conceivable that virtually all this "world island" might be conquered and held by ground-force armies, with some air support. If so, it would be great enough to exercise world domination.

There is a sinister promise of such an earthbound empire in the stirring chronicle of the great Khans in the 13th century. The tools of war were very different then. But with the tools at hand, Genghis Khan started from his native Mongolia, in the heart of Asia. Before he died at age 70, he had brought northern China under his control, and also the steppe lands westward to the Caspian Sea. Kublai Khan extended his power, by further conquests and by wise administration, until it embraced all China and reached into what is now Tibet, Burma, and Indochina. Batu Khan, another grandson of Genghis, with his Golden Horde, carried the ruthless conquest westward until most of European Russia and Turkey were corralled in this strange empire; and the western battleline ranged on through Poland, Hungary, and Silesia. At no time was this vast domain a single, well-ordered political entity. Yet here was an empire of sorts, reaching from Hong Kong almost to Budapest. It was created by Mongol horsemen, the Panzer divisions of the 13th century, around the nucleus of the Eurasian heartland.

Who is to say it cannot happen again, and in the 20th century? It would be foolhardy to say so, flatly, for this is the one region of our world in which military power without a maritime component may be able to carve out world empire. And more than one astute geopolitician has given the warning that control of the heartland of Eurasia confers the means of achieving world domination.

If one takes a map of Eurasia and plots on it the outermost limits of the great Khans in the year 1275, he finds that the frontiers reached by Genghis, Kublai, and Batu are substantially those of the Communist world of the 1950's. Both systems embrace China, Manchuria, Siberia, Russia, and a belt of eastern Europe. There is an ominous identity between the two areas. It confirms that any far-flung empire built by seapower and cemented by salt water may be challenged by a continental empire fashioned around the heartland of central Asia.

This is all the more meaningful at a time when American forces have been operating for more than 2 years at the outer end of a 6,000-mile sea communication line in Korea, to impose a limit on the outward thrust of Communist power on the Asian mainland. It is doubly so when hard-pressed French forces are struggling to the same end in southeast Asia. Although ideologies and weapons alike have changed, it is in many respects the same basic conflict. Through centuries of history, and now in our own midcentury years, the fortunes of the world have revolved about this rivalry between the earthbound power of the Eurasian heartland and the sea-based power of successive empires sprawled over sundry continents and seas.

It is idle to attempt to formulate any clear-cut answer to the question. The most we can say is that world empires as a rule have been created by seapower, and that central Asia is the focal point from which great empires may perhaps be attained without seapower. And we may add that Soviet imperialism in our century has gone somewhat farther, geographically, than did the primitive imperialism of the Khans in the 13th century. One conclusion is inescapable. If the Kremlin's bid for world power is to be contained or defeated, it will have to be done by a maritime empire—one that can summon its resources through the mobility conferred by sea command. This means the American empire, for

America today possesses more seapower than all the other nations of the world combined.

But is there an American empire?

To this question, the answer cannot be a simple "Yes" or "No." The term "empire" could mean a far-flung maze of territories governed by American proconsuls, where the American flag flies and where the law is given by the American Government, where all the peoples are "natives" and the fiat of a distant authority is indisputable. If that is what we mean by empire, there is no American empire, nor have the American people ever aspired to one. They have fought against imperialism more than once; and they are not likely to adopt and practice it.

However, there is a broader meaning for the term. An empire might mean a system of allies and partners spread around the world, looking to the strongest of their number for an integrating leadership, for wise counsel, for economic assistance, and for armed protection. Supplementing this, it might mean also a system of military bases from which the strongest of the family of free nations deploys its armed might, the better to contain any hostile force that threatens any member of the family. If this is a valid extension of the term empire, then there unmistakably is an American empire. In the 1950's, it probably is somewhere near the zenith of its world power.

It now must be our concern to recall the stages by which this unique American empire-without-imperialism came into being, and then to notice in what respects it resembles and in what respects it differs from the maritime empires of the past. Thus we may define its character and appraise its historic mission of containing the hostile power of the Soviet empire which has emerged in Eurasia with the same frontiers as the Mongol empire of seven centuries ago.

There is no well-defined, dramatic date at which the center of world power passed from Western Europe to North America. So there is no point in time at which this American empire came into formal existence. Just as the defeat of the Spanish Armada in 1588 merely punctuates a gradual shift of dominance from Spain to England, so a single event might be chosen to mark the emergence of American power. The Battle of Midway, in early June of 1942, should do as well as any other milestone, for it represented the successful use of American sea power to turn the tide against the Axis Powers and foretell their ultimate downfall. But it remains only a punctuation mark—a dramatic episode in an extended historical process.

In the decades before the Battle of Midway, the focus of world power was still in the capitals of Europe, especially in London. There were found the bankers to the world, there the statesmen who made high policy for the international community. In Western Europe were found the great modern armies of the world, and the great armament industries. There also were the capitals from which five traditional empires were administered.

Gradually, American money, American productive facilities, American policy-making, and American military forces supplemented and supplanted those of Europe. The end of World War II brought the sudden disappearance of Germany and Japan as great military powers. It also left Great Britain, France, and their lesser neighbors greatly reduced in resources and strength. Some of the former centers of world power even became power vacuums for a time. With awesome suddenness, it fell to the United States to come forward and provide the leadership, the initiative, the economic resources, and the military strength to preserve, rebuild and protect the free world whose freedom has been rescued at such appaling cost.

From 1945, indeed from 1942, Washington, D. C., has been the acknowledged "capital" of the free world. There in the war years the Combined Chiefs of Staff shaped the military policy of a great coalition. There, even before Pearl Harbor, an American Congress placed billions of dollars worth of war materials in the scales, to help turn the tide of world conflict. There, after the war, successive Congresses allotted unprecedented sums of money for UNRRA aid, for the Marshall plan, for military assistance to a score of friendly nations. Between the beginning of the war and the middle of 1952, the United States extended overseas aid to the staggering total of $82 billions—some in loans, some in conditional grants, some in outright gifts, and some as contributions to the aid programs of various international agencies. Half of that astounding total was given or lent after V–J Day—not in desperation to win a war but in hope and faith to build a new kind of empire and thus a workable world order.

Imperialism? It is the reverse of imperialism. For the traditional goal of empire was to squeeze the utmost profit or tribute from outlying dominions. Never had the world seen any flow of wealth from one rich country into other

countries on a scale remotely comparable. These were not loans or gifts of money. They were orders on the productive facilities of the United States, for every sort of merchandise—foodstuffs, industrial raw materials, farm machinery and seeds, industrial and transport equipment, guns, tanks, aircraft, ships—almost anything one might name.

Yet this stupendous outflow of goods was one of the vital processes by which this new American empire was created. It had for its purpose the reconstruction and revitalizing of those nations whose vigor and security were essential to our own. It helped to bring about the spectacular recovery of Western Europe. It helped to save Greece from absorption into the Communist empire. It helped to make Turkey a strong bulwark of the free world. It revived Japan and made her once more a bastion against Russian power in the Far East. It is now preserving the industrial half of Germany for the coalition of the West.

One of the larger purposes of this long-range policy was the restoration of the strength of our oldest and most trusted allies, such as Great Britain and France. Another purpose was the buttressing of certain vital strategic positions and communications routes. This is exemplified in the Greek-Turkish aid program launched early in 1947, which insured the independence of Turkey and Greece and the security of the Dardanelles, and so the safety of the Mediterranean Sea route. Still another purpose, made urgent by aggressive Soviet imperialism, was to draw the defeated enemies, Japan, Germany, and Italy, into the Western orbit, to make them partners against the new empire threatening us from middle Asia. Yet another was to build up steadily the military potential of those friendly states who might serve most effectively in an anti-Soviet coalition.

All this had been accomplished by the end of 1952, excepting only the final inclusion of the German federal state in the European community. Still another task, reserved for future accomplishment but already well under way, is the integration of the whole community of free Europe. Only if it is federated or otherwise united can it become a productive, efficient, defensible political unit, strong enough to counter the pressures from the Communist empire to the east. Through the Schuman coal-steel plan, the Council of Europe, the projected European defense community, and many other devices, the integration of Europe is proceeding, step by step. In no small part, this unification of Europe has been the product of American initiative, encouragement, and prodding.

The North Atlantic Treaty Organization, with its military and civilian organs, its regional commands, its land, sea, and air commands, is one of the great instrumentalities of this unique American empire. And like every other aspect of that empire, it is not authoritarian, in the tradition of empires of the past. It is a coalition of free and independent states, pooling their resources of manpower, weapons, and productive resources and skills for a common strategic purpose. But the leadership, like the original initiative, is centered in the United States, which has a role of primus inter pares.

A similar structure of the self-governing island peoples of the Pacific, including Australia, New Zealand, Japan, and the Philippines, in partnership with the United States, has been set up through various treaties. Profoundly different from NATO though it is, it nevertheless serves a roughly analogous strategic purpose. Likewise all of Latin America has been linked with the United States in a hemispheric alliance of mutual defense. And thus America's 20th century empire of equals now extends from the shores of eastern Asia across the Pacific, the American continents, and the length of Europe to the farthest boundary of Turkey at the Caucasus range.

All through this vast reach of oceanic and continental space—through 290 degrees of longitude, and from the North Pole to the southernmost tip of Argentina—there are scores upon scores of American military bases, for ground, sea, and air forces. Additionally there are many more bases where no American flag is flown, but where the forces of any member of the grand coalition might be based, if need arose. And linking all the members and associate members together are the highways of the sea. Salt water is unmistakably the cement of this global coalition. This giant partnership could not survive, even briefly, if its sea communications were not secure against an enemy's interdiction.

This makes a pattern, a significant strategic pattern. There is a pooling of resources by many nations for a common purpose. There is leadership from the center, and an outflow of economic and military aid to weaker members in vulnerable positions on the perimeter. There is joint planning by the political, economic, and military spokesmen of the major partners in the enterprise. There is a formal legal structure of interlocking treaties by which every participating nation, however weak or exposed, has the positive assurance of firm backing in

a showdown. Back of all this, there is a common heritage of democratic self-government, the common denominator of the entire body of peoples committed to this great common enterprise. And somewhere down inside, there is the confident optimism of the United States, based upon its vast resources, its immense and efficient productive machine, and its comforting tradition of successful venture.

Can we call this an American empire? We can, but only if we redefine the word to mean something a little different from its historic connotation. It is an extension of American power through half the world. That surely is a normal attribute of empire. It is a deployment of American sea and air power and even ground-force strength across the oceans and into distant continents. That likewise is a common quality of empires of the past. It is a utilization of American economic strength to build new strength in other regions, to create bulwarks for the free world where none existed a few years ago. This certainly is something the better empires of past centuries have sought to do when their leadership was farsighted. Above all, it is an orderly deployment of the total strength of a great fraternity of peoples, so that their common resources may be utilized in an integrated strategy for their common security.

We may justly call it an American empire, because it is doing, in the mid-20th century world, exactly what the best minds of the better empires of the past sought to do, with some measure of success. British dominance in the world through the 19th century gave substantial peace for a hundred years. This was not because orders issued in Whitehall were obeyed implicitly all over the world. It was because canny, farsighted men in London used sterling loans and woolen yard goods and merchant ships and occasional battalions of fusiliers and ships of the line—all with a good deal of discernment—to keep some equilibrium in an otherwise disordered world. They were moderately successful, until the resources at their command were spent. They were not altruists, the Britons who pulled the strings and moved the pieces on the world chessboard. They were the sensible, realistic, and reasonably selfish managers of an empire so great and resourceful that it could and did keep the world in tolerable balance for a century of time.

In some part, the task has been transferred to the United Nations, embracing almost the whole international community. And the more of the job it can perform, the happier we all should be. But now and for a long time to come, most of the task rests with the American Nation, which has the greatest single quantum of the kind of power that is decisive in world politics today. This sort of power is compounded of all the things that fuse together to support modern warfare—trained military manpower, weapons, mass production facilities, industrial and military technology, raw materials, labor skills. Because it has the power, the United States also has the responsibility.

Accepting the challenge of world leadership, the United States has undertaken to build an empire, but a wholly different kind of empire. It has poured goods into diverse regions to restore their economic health. It has refashioned its own military machine on a massive scale, in order to meet the brunt of any attack and then take the offensive in reprisal. It has pioneered on the outer margins of human knowledge, in nuclear physics, to insure that its weapons may be the most effective possible. It has provided the principal sinews in Korea to turn back an unlawful, unprovoked Communist aggression. It has created the legal entities, in the Atlantic and Pacific communities, to pool the efforts of the many free peoples who want to remain free. It has guided the rearmament of a score of nations, and supported their new military postures, to the end that they may come to carry their share of the common burden of defense.

The United States has done more. It has commenced, at least, the task of funneling new capital, new productive equipment, and new techniques of production into lagging countries whose chief enemy is not an alien state or empire but only poverty. One may call it technical assistance, or point 4, or something else. But it is an essential task. It is backed up by the large-scale flow of private investment funds into many backward countries. Together, these operations are substantially what the bankers and statesmen of London were doing for generations, when British investment capital built the railroads, canals, bridges, and port works of a score of nations overseas, leading to the greatest material development the world had seen up to that time.

American policymakers were none too well prepared for the mighty assignment thrust on them so suddenly. Theirs was a hurried apprenticeship. But the fairminded observer has to agree that the job has been done remarkably well so far, in spite of some waste, some stumbling, some egregious errors made at great cost. And he must agree also that American military leaders have played an

important and constructive part—not because they were heroes of a successful war, although that increased their prestige, but because they had been thinking and planning for many years in geopolitical terms—in terms of a world in which sheer power had to be the decisive factor.

Such is the American empire—this system created in the last half-dozen years, which reaches from Formosa to Mount Ararat, on the eastern margin of Turkey. It matters very little what we call it. For it is a military coalition, a system of international organization, a pool of economic resources. It is also a habit of cooperation among free peoples with some vital things in common. But more than all this, it is the use of noncoercive techniques in foreign policy to deploy the stupendous economic and military resources of the American Nation, in the pursuit of a planned world policy. In this special sense, it is truly an empire—without imperialism.

In the last 50 years, the British Empire has remade itself in a pattern very different from that of the centuries gone. It has become for the most part a concert of self-governing nations, working together for common interests. It still is evolving in that wholesome pattern. When the center of world power passed from Europe to North America, however, the main responsibility for guiding and stabilizing the world community crossed the Atlantic also. Fortunately, the British Commonwealth has fitted itself into this pattern. Its resources and traditions and its know-how in world politics are at the service of the larger coalition now in being. So are the resources of the French Empire, which despite many strains is a sturdy combination of diverse peoples now in a stage of rapid economic development.

This fusion of empires in a larger whole is possible because the American empire came into being in an unusual way. Commonly, a world empire emerges and rises to splendor after the defeat of its predecessor, as when England defeated Spain at sea in 1588, or when the Christian Powers defeated the Turkish Fleet at Lepanto 17 years earlier, and made an end of the Ottoman domination of the Mediterranean. But the United States moved into leadership, not by supplanting an acknowledged leader through its defeat, but by joining with old friends, leaders of the past, in order to defeat two challengers. Thus there was a coalescence of empires, all of them in process of change from the pattern of authority to the pattern of cooperation.

Empire or coalition or system of alliances—whatever one may call it, the fact is that it works. It has to come into existence, because a landlocked empire was emerging in Eurasia, a reincarnation of the ancient challenge from the heartland of the great continent. It falls heir to the same task that other maritime empires have had. And fortunately, it undertakes its mission with overwhelming superiority in sea power, the premier instrument by which it may hope to contain the new threat from the steppe lands of the great Khans.

Sea power is much changed. The tools and tactics are different from those the Spaniards and the Dutch and the British used in their time. Tools and tactics are changing still. As sail gave place to steam, so the gunfiring ship has yielded primacy to the aircraft carrier with its brood of swift, deadly planes. But the essential strategic function of sea power is the same. Sea power is the means by which the full resources of a great coalition of peoples from diverse continents may be deployed against an enemy, even though this enemy be a continental power with interior lines, striking outward from the heart of the world island.

No nation in the world's history ever faced a greater challenge or assumed a greater burden than that of the America of the mid-twentieth century. It is the first world empire built without imperialism. It is fashioned specifically to contain the forces of a hostile imperialism, in the service of an evil ideology. No empire ever was built to serve a more honorable purpose. And none ever brought to its historic task such great resources of skill, intelligence, productive power, technology, and good will.

## Must We Live in Fear?

By Capt. George H. Miller, United States Navy [1]

We are a frightened people. The citizens of the United States of America, that colossus among nations, live in fear. Our children are taught to hide beneath their schoolroom desks; our citizens scan the skies, apprehensive that some dreadful force may soon strike them from above. There is a feeling of urgency, of haste, surrounding everything we do—as if we were straining every fiber to batten down before the storm breaks. And when it does break, what form will it take? Will it be atom bombs crashing down upon us to blow up our homes and loved ones? Or will it be Communists boring from within and awaiting the signal from some far-off potentate to spring at our throats and destroy us?

One of our pet fears, of course, is the U. S. S. R. Many feel we are in mortal danger of attack; and our one hope is that we shall be permitted just a little more time to prepare to meet the terrible onslaught which could be unleashed against us at any moment. Well, what about this Communist threat? How real is it? How well are we situated to meet the storm, when and if it does break? Perhaps if we analyze our fear of U. S. S. R. power we shall be able to place it in proper perspective.

Let us begin our analysis by examining a globe; for geographical position is the fundamental factor in the power potential of any nation. Only by examining a globe can we see the land areas and the sea areas of the world in true perspective and in their true relationship to one another. Charts, maps, and other flat projections of the surface of the earth are distorted in one way or another. (Indeed, maps and charts are oftentimes distorted deliberately in order to convey an impression of geography favorable to some special theory or concept.)

If we turn our globe on its axis until central Asia is before us, we are soon impressed by the vast size of this Asiatic continent. (If we look at a flat map, a mercator projection, the impression is almost terrifying; for on such a projection central Asia is expanded far out of proportion to its actual size.) Central Asia encompasses one-sixth of the total surface of the earth, we are told. Somehow we associate this vast land area with power. It is vast; therefore it must be powerful, we say. We sometimes picture it as a monstrous walking bear preparing to devour any who may dare to stand against it. At other times we picture it as a huge fluid mass, which will one day break its flood gates and engulf the entire civilized world.

We pity the Europeans, who have the misfortune to dwell on that small appendage of the Asiatic continent known as the European Peninsula. Surely, we are told, it is only a matter of time until the vast, mysterious genie of the Asiatic hinterland breaks out of its borders and sweeps over all of Europe. There is a good possibility, we are told, that both the European and Asiatic continents will be overrun. Then, when he stands supreme on the shores of the Atlantic and the Pacific, he will turn his attention to the United States. It will then be only a question of time until he destroys us.

This is essentially what mankind fears most of all today—the vast mysterious power of the Asiatic Continent, sweeping everything in its path. It matters little that nothing quite like it has ever happened before. It matters little that the countries of Western Europe and Eastern Asia have not fared badly, individually and collectively over the centuries, against the power of the interior of Asia. The fact that this power might become irresistible at some indefinite time in the future seems more important to us at the moment. It might therefore be appropriate to ask ourselves this question: If the peoples of the Asiatic hinterland have never exercised world domination before, on what basis do we concede them the power and ability to do it now, or in the near future? Let us turn to the field of geopolitics, where we may perhaps find some clues which will enable us to clarify our thinking on the power of the U. S. S. R.

Geopolitics may be defined as the application of the geographic, political, and economic influences of history to the formulation and implementation of foreign policy. Geopolitics is not an exact science; indeed, quite the opposite is true. Geopolitics is very much like politics. In domestic politics two individuals can look at the same political scene and see different things. For example, a member of the political party in power looks at the manner in which our Government is

[1] A graduate of the Naval Academy in the class of 1933, Captain Miller served in the U. S. S. *Houston* (CL-81) during World War II. After completing the Naval War College course in strategy and tactics in 1947, he served for 2 years on the staff of the President, Naval War College. When the Korean invasion began, he was in command of the U. S. S. *Hollister* (DD-788). In August 1950 he was ordered as plans officer of commander, Seventh Fleet in Korean waters. He is now on duty in the office of the Chief of Naval Operations.

Captain Miller won honorable mention in the 1950 Naval Institute prize essay contest.

conducting its affairs and comes away with a sense of pride and a feeling of accomplishment. A member of the opposition party views the same situation and comes away with much the opposite impression. Rather than pointing with pride, he views with alarm.

So also with the geopolitician. One geopolitician can study the contours of the globe and their effect on the history of mankind and arrive at one set of conclusions. Another can look at the same globe, analyze the same historical data, and arrive at a totally different set of conclusions. The situation confronting a nation may thus be considered favorable or unfavorable, depending upon the point of view of the individual.

In our country we recognize the importance of considering a number of different points of view as we chart our political course. We recognize the wisdom of the two-party system. We believe it to be the foundation of sound government.

The same may be said of geopolitics. A number of different geopolitical theories must be studied and analyzed as we chart our future course. The two-party system is as essential to the formulation of sound foreign policy, and to the formulation of the military policy which supports foreign policy, as it is to the formulation of sound domestic policy.

A few years ago Sir Halford J. Mackinder, a British geographer, wrote a book titled Democratic Ideals and Reality. His book has since become one of the most influential books on geopolitics. However, since his views are those of but one individual in this highly important, though controversial, field, it is essential that they be subjected to careful scrutiny before they are accepted in their entirety. It might therefore be appropriate at this time to take an opposing view deliberately, in order to test the validity of Mackinder's theories on geopolitics. For convenience, let us borrow from Sir Halford himself and name the contending geopolitical parties the landsmen and the seamen.

Sir Halford Mackinder was a British subject. He lived in a country which, over many centuries, drew its strength from the sea and which became, and still remains, one of the most successful politico-military forces of all time. Yet, when he studied the globe, he saw it through a landsman's eyes. Like so many today, he was impressed by the vastness of the Asiatic hinterland. He somehow associated this vastness with power. Surely, he reasoned, here in the interior of the vast Asiatic continent must lie the pivot of the world.

Mackinder believed that the landpower of this great continent might one day succeed in outflanking and defeating seapower by seizing its major bases on the perimeter of Europe and Asia through a series of conquests from the land side. The Persians, for example, attempted to conquer the Greeks by seizing their major seaports from the land side; they almost succeeded. The Carthaginians tried with a series of land campaigns to conquer the Romans by capturing their home territory, including many of the bases which supported Roman seapower; they, too, almost succeeded. Yes, these things almost happened, but not quite. What actually did happen was this. Persia bled herself white in a series of costly land campaigns against the seafaring Greeks. They won a number of land battles, but the superior staying qualities of Greek seapower brought the final defeat of the Persians. The Carthaginians suffered much the same fate. Driven from the seas by an emerging Roman navy, the Carthaginians sought to recover their losses in a series of land campaigns. While Carthage won many battles on land, the cost of these land campaigns was more than she could endure. As a result, she lost the war. The superior staying qualities of Roman seapower eventually prevailed.

Napoleon tried to destroy English seapower by capturing and consolidating all of Europe and Western Asia into one vast empire. Both the Kaiser and Hitler tried the same thing. All three of these landsmen succeeded in winning many battles on land; at times they gave a good account of themselves at sea. But none of them ever succeeded in bringing about the defeat of the seapower which opposed them. In each case control of the sea was the decisive factor; for, the side which controlled the seas had access to the material and human resources of the rest of the civilized world. By mobilizing these worldwide resources and by transporting them across the sea to points where they could be brought to bear against the continental enemy, the seapowers have repeatedly succeeded in defeating their continental adversaries.

Nevertheless, Mackinder was so impressed with the potentialities of that vast inland area of Eastern Europe and Western Asia that he named it the "Heartland." The name heartland itself is significant. It is indicative of the importance which Mackinder attached to that area in its relation to the rest of the world. Mackinder saw his heartland as the one region of the earth out of reach of seapower. He believed that here in the Asiatic hinterland, safely removed from the

influence of seapower, it would one day be possible to build a strong military base and a self-sufficient economy. He predicted that the invention of the engine and the airplane would soon permit land (and land-based air) transportation to compete on equal terms with sea transportation. These advances would then give the Asiatic heartland interior lines of communications, superior, in his opinion, to the worldwide sea communications of the seapowers.

Let us examine Mackinder's predictions, in the light of present-day developments in transportation. Perhaps it will provide a clue to how much we have to fear from the colossus of the Asiatic hinterland.

First, let us consider the statement that the Asiatic hinterland—Mackinder's heartland—is out of reach of seapower. Here Mackinder reveals his appreciation of the effectiveness of seapower by stating, as a condition for the development of his superior landpower, that it must be located in some far-off interior, out of reach of the influence of seapower. He did not foresee the time when aircraft, flying from mobile ship bases (aircraft carriers), or flying from land bases in bridgeheads on the perimeter of Europe and Asia, would be able to reach the most remote sections of the Asiatic heartland. He did not foresee the day when every acre of his ideal landpower, every interior line of communication, and every military and industrial complex would be brought within the reach of the long arm of seapower.

Let us now turn to new inventions. Have these enabled land transportation to catch up with sea transportation, as Mackinder predicted? Here is perhaps where Mackinder committed an error of which most of us are susceptible from time to time. Most of us are able to see quite clearly how new developments will result in advances in fields of endeavor with which we ourselves are most familiar. But many of us somehow seem unable to comprehend that those same developments also permit advances—sometimes even greater advances—in fields with which we are not so familiar. Thus, the steam engine, which brought advances in land transportation, also brought comparable, or even greater, advances in sea transportation.

Some of the advances which we are witnessing in sea transportation are impressive. For example, there are ships at sea today which displace over 80,000 tons. One ship, which displaces over 50,000 tons—the steamship *United States*—made the passage from the United States to England at an average speed of over 40 miles an hour. This speed is comparable to that at which one would travel across the United States by train. It exceeds the world's motorboat speed record of only a few decades ago. Moreover, as an indication of things to come, another speed boat within the past year traveled across a lake in Scotland at a speed of about 200 miles an hour.

Today we are witnessing merely the dawn of the atomic era. Before many years have passed ships will be powered by nuclear energy. Long before this new source of power will have been developed for use in land or airborne conveyances, it will be practical for use in the propulsion of ships.

The trend in the speed and size of ships is still upward. The sea can support hulls of unlimited size and weight. Research in hull and propulsion design is opening up new horizons. The tremendous possibilities of nuclear energy are yet to be fully explored. The limits on size, speed, and radius of action of ships are not yet in sight.

Meanwhile, ships are being put to many uses. Not many years ago an inventor built a boat and attached wings to it. The boat rose from the water, flew around in the air for a while, and then settled back on the surface of the water. Today there are indications that the flying boat has tremendous future possibilities. Another inventor built a ship with a flat deck running the entire length of the top of hull structure. This ship is known today as the aircraft carrier. It, too, has a tremendous future.

It is not difficult to imagine huge ships—or fast-moving bases, displacing hundreds of thousands of tons—moving over the surface of the water at some future date at greatly increased speeds. And then, as our power resources continue to increase, someone will conceive the idea of attaching wings to these seaborne "satellites"—wings and sufficient power to permit them to rise into the outer atmosphere. These things are likely to come to pass on the sea; for water will support structures of almost unlimited size and displacement.

Now, we can be certain that if we in the United States arbitrarily restrict ourselves in the development of any new techniques for using the seas, there are others who will be eager to step in ahead of us. Should this ever come to pass, the people of the United States will, indeed, have reason to live in fear.

Let us examine briefly the influence which the airplane is having on our geopolitical outlook. As a result of the development of the flying boat and the aircraft carrier, the airplane has gone to sea. Indeed, there are some who believe that the future of the seabased airplane may be as bright as, or even brighter than, its future as an instrument of landpower. The airplane, which increased the range and effectiveness of weapons operating from land bases, also brought about similar increases in the range and effectiveness of weapons operating from sea bases. The development of the airplane has done much to stimulate thought in the field of geopolitics. The rapid advances in air transportation have served to emphasize the differences in the philosophical outlook of the landsman and the seaman. Thus far the body of thought which has grown up around the airplane seems to have divided itself along traditional party lines—those of the landsman and those of the seaman.

The landsman sees in the airplane new possibilities for expansion in the mobility and capabilities of landpower. He sees in the airplane an opportunity to extend the influence of landpower over the domain of the sea, which heretofore has been denied to him. He sees in the airplane an opportunity to avoid, if need be, the dominating influence of seapower, under which he has chafed for so many centuries. He sees in the airplane an opportunity to cast off the shackles of the shoreline—an opportunity to fly over the sea to exert his influence in distant lands, which were previously denied to him by seapower. Here at last is his opportunity to catch up with, and even surpass, seapower.

To the seaman, the airplane also represents opportunity. To him the airplane is another means of increasing the mobility and capabilities of seapower. He sees in the airplane an opportunity to extend the dominating influence of seapower over land areas previously denied to him. He sees in it an opportunity to fly over minefields, coast defenses, and other traditional land barriers to deliver the most modern weapons—including thermonuclear weapons as they may become available—at great distances inland from the coast. The seaman sees in the airplane an opportunity to increase still further the centuries-old gap which has existed between landpower and seapower.

The development of the airplane has also increased the vulnerability of both land-transportation and sea-transportation systems. But land-transportation systems, previously safe from interdiction from the sea, have now become vulnerable to an even greater degree than have ships, which travel over a readymade highway system, requiring no bridges, no tunnels, and no maintenance or repairs.

Thus, the interior communications system of the power of the Asiatic hinterland appears to suffer by comparison with that of the seapower. The truth of the matter is that the side with control of sea communications is in a position to concentrate superior military power, as well as superior political and economic influence—at points on the European and Asiatic perimeters more easily and more economically than can any landlocked power of the Asiatic hinterland. For this reason the chances of a landpower being able to move out and engulf the entire perimeter of the European-Asiatic Continent are not great—unless the maritime powers deliberately bring about their own destruction by abdicating their dominating position at sea.

Today in Korea we see demonstrated the application by the maritime community of superior force at a point on the Asiatic Continent. Control of sea communications enables us to sustain our Army on the Korean peninsula 5,000 miles across the sea, yet only 200 miles from the vast manpower resources of Manchuria. Control of sea communications also permits us to maintain the necessary air control over the battle area.

Sea communications make nations of the western European peninsula more accessible politically to Washington than they are to Moscow. For this same reason Greece and Turkey are more accessible to Washington than to Moscow. Yugoslavia and China are more accessible to Washington than to Moscow. Yugoslavia has already found it to her advantage to reorient herself toward the maritime community. China cannot turn her back on the sea for long, without destroying for an indefinite period her influence in the Western Pacific Basin. When she turns toward the sea she will rejoin the maritime community, where her best interests have always lain.

The important political, as well as military, decisions of history have gone to the side with the superior lines of communication, that is, the side with control of sea communications. With due apologies to Mackinder, that is as true today as it has been in the past. The possibilities offered by technological developments indicate that it will continue to be true in the future.

Let us now sum up the seaman's geopolitical philosophy. The seaman studies the same globe as the landsman, but his gaze does not remain fixed on the large land masses. He also sees the vast water areas which surround the land masses and stab deep into every continent. He recognizes these water areas as the primary communication system of civilization. He reads in his history how early civilization expanded and flourished along the seashores of the world. To him the Mediterranean Basin was the true heartland, the true power center of the ancient world. Control of the Mediterranean Sea was the key to that power center. He notes that today the centers of civilization and modern economic power are still concentrated in areas easily accessible from the sea. He sees the North Atlantic Basin as the true power center of the modern world. Control of the North Atlantic Ocean is the key to that power center today. He also sees evidence that the Pacific Basin may one day be the power center of the future world. To the seaman, Mackinder's heartland is still the Asiatic hinterland.

The seaman sees the Asiatic hinterland beset by many fundamental physical difficulties, which no amount of human endeavor can completely solve. He recognizes that much material progress has been made in this vast inland area during recent years; but he also recognizes that its achievements are dwarfed by the far greater progress made by the maritime world. Compared to the total power potential of the maritime world, he sees the power potential of the Asiatic hinterland still outclassed by a wide margin.

When the seaman looks at the globe he is not particularly impressed with the size of the Asiatic hinterland. He is more likely to be impressed by the vast area and power potential of the other five-sixths of the globe, most of which can be motivated, through the convenient sea-communication system, against any aggression which might be instigated in the interior of Asia.

Thus the seaman holds little fear for the future of the maritime world, regardless of what nation may assume its leadership. While the landsman permits himself to be frightened by huge land masses, the seaman points to the evidence of history to support his more optimistic views. Unlike his land-bound geopolitical opponent, who since the day Greek fire was invented has been predicting the doom of seapower, the seaman sees the seapower of the future as a greater dominating force than it has ever been in the past. He sees the airplane, nuclear energy, and other new developments increasing the capabilities of seapower even to a greater degree than they increase the capabilities of landpower.

While the advances already made are impressive, and in some cases even terrifying, we can be sure that they will be dwarfed by the scientific developments of tomorrow. But whatever the future may hold, it is the seaman's conviction that the nation which succeeds in adapting these new developments—including thermonuclear weapons and whatever may lie beyond—to increasing the effectiveness of its seapower, will be the dominant world power of the time.

Who is right then, the landsman or the seaman? In the field of politics, who has the right answer, the conservative or the liberal? Those who believe in the two-party political system see wisdom in the maintenance of a sound balance between the two extreme philosophies. Therefore, somewhere between the extreme views of the landsman and the extreme views of the seaman there must lie a sound middle course. In our search for sound foreign policy, and for sound military policies to support our foreign policy, we must make certain that both the landsman and the seaman are given equal opportunity to be heard in the highest councils of government. For, unless there is an understanding and appreciation of the point of view of both the landsman and the seaman, the sound middle course may not be found.

There is evidence that the philosophy of the landsman prevails at the moment. For fear, more than anything else, seems to govern the thinking and the actions of our people, fear of the seemingly vast power of the Asiatic hinterland. This fear stems from the landsman's point of view, which apparently is accepted throughout the land, almost to the exclusion of the seaman's view.

Why does this situation exist in the United States, which is potentially the greatest maritime power the world has ever known? Why is it that the fear of the mysterious power of the Asiatic hinterland is so widespread in our country? The answers to these questions are not easily found, although an approach to them may be summarized as follows:

Man is a creature of the land. He lives his life on land. He is far more familiar with events which take place on land. He visualizes land warfare, land transportation, and all the other activities on land far more readily than he can visualize similar activities at sea. He sees army and land-based air installations in his

community. He observes them in operation. On the other hand, when he sees a ship it is usually lying dormant in port.

Most men have never gone to sea, and therefore know very little about the sea. Only a relatively small percentage of the population of our country has any direct connection with the sea. Even these—fishermen and members of the merchant marine and Navy for the most part—have the opportunity to observe but a minute segment of the influence of the sea. Of those who do go to sea, only a few have occasion to reflect on the meaning of the sea to our civilization. Fewer still have the inclination to reduce their reflections to writing. As a result, the seaman's point of view is not widely recorded in our country. Unlike the day-to-day news value of the various facets of landpower, the intangibles, the subtleties and the long-range influence of seapower are not readily apparent to the casual observer.

Our understanding of the seaman's point of view is further restricted by a severe shortage of its proponents in the field of education. Very few of our educators have had the occasion or the inclination to study the philosophy of the seaman. Therefore, the vast majority of the historical and geographic material written in this country reflects the landsman's point of view. The majority of the textbooks used in our schools and colleges also reflects the landsman's point of view.

A large proportion of the maps in our children's textbooks feature the land areas, while the sea areas which surround them are given little attention. The maps in most of our encyclopedias and atlases are constructed the same way. However, the history of early civilization is a story of the struggle for control of the Mediterranean by the people who lived and migrated and died along its shores. Yet how many maps do we find which feature the Mediterranean Sea in the center, with the contiguous land areas along its shores? Would that not be a more accurate illustration for the study of the progress of early civilization?

The history of civilization since the 15th century is largely centered on the struggle for control of the North Atlantic. Yet, how many maps do we find of the North Atlantic Basin, featuring the North Atlantic Ocean in the center, with the surrounding land areas displayed in such a manner that the full significance of this great modern heartland can be appreciated? Would that not be a more accurate illustration for the study of events which have taken place in the last 500 years?

While there has been a significant scarcity of historians, geographers, and publicists with the seaman's point of view, the landsman has been fortunate in having many eloquent proponents of his views. One of the most eminent among these is, of course, Sir Halford J. Mackinder. The eloquence of his presentation probably surpasses anything that he might have anticipated. For, in summing up his views he reduced them to his famous, ear-catching jingle:

"Who rules East Europe commands the Heartland,
Who rules the Heartland commands the World Island,[2]
Who rules the World Island commands the World."

This famous admonition is accepted as fact by a great many people today. Yet, it is only a theory, the validity of which has never been demonstrated by history. (Maj. Gen. Karl Haushofer, the German geopolitician, was an admirer of the heartland theory. He was one of the architects of some of Hitler's strategic blunders.) Can it be that Mackinder's well-known rhyme, accepted as fact by so many whose investigation of geopolitics goes little beyond it, is the basis for the fear of the heartland which has been plaguing our people since the close of World War II? Could this be the reason so many statesmen continue to quake at the roar of the voices from the Kremlin? One wonders whether the full advantages of the two-party system are available to us today to assist us in the formulation of our own external policies.

Now, is it not about time that we Americans placed our fears of the Asiatic hinterland in proper perspective? If this can be done we shall perhaps be able to devote more of our energies and resources toward a more constructive approach to our problems, which are primarily political rather than military in nature. The war in progress is primarily a war of ideas rather than of bombs and bullets. It is the age-old struggle of men to maintain their liberty and their personal dignity, in the face of the relentless encroachment of tyranny. It is a war in which military measures have only secondary, transient influence—influence of a negative, rather than of a constructive nature. In this struggle of ideas neither the Iron Curtain of Europe nor the Iron Curtain of the atom bomb will be the deciding factor. There are, as always, risks involved in the present situation,

[2] The Asiatic-European-African land mass.

but perhaps the military risks are not so grave or so immediate as they may sometimes appear from the landman's point of view.

It is time for the citizens of the United States to review their geopolitical outlook and begin to appreciate the strength which is inherent in our maritime position. It is time to strike a new balance between our assets and our liabilities. When this is done we shall find that our spiritual, political, and material resources are tremendous—if only we learned how to use them.

Our rearmament program of the future must include a strong revival of political awareness. There are evidences that such a revival is already underway throughout the Nation; but it must gather momentum, and it must build toward the future. Any long-range solution must include a program for our public schools. Our children, the citizens of tomorrow, must learn to understand and appreciate the overwhelming strength of our position. They must learn to appreciate the meaning of the seas which surround their country and which have had such a decisive influence on our rise to a position of world power. Indeed, our continued existence as a world power may depend upon how well our citizens grasp the significance of the seas to the maintenance of our liberty and our prosperity.

But while we build toward the future, there is till today. Our approach to our present-day problems should be one of confidence and determination, rather than of fear—confidence in the inherent strength of our position, and determination that our political ideas shall prevail. We must rid ourselves of the fear of the Asiatic hinterland which has plagued our citizens during the past many years. We must scrutinize carefully the admonitions of those who for reasons best known to themselves, may seek to play upon our fears. Few can think clearly or conduct the affairs of state wisely when motivated by fright.

To the prophets of doom, who since time immemorial have seen fit to frighten their brethren with tales of the horrible fate which awaits them in the conflicts of tomorrow, we might suggest this thought:

The world has never been a safer place in which to live. Here are the statistics: The human population of the earth has doubled itself in the last 100 years.

Mr. SANFORD. All of the foregoing are well worth reading, particularly by those who may have any doubts about the necessity for seapower on the part of the United States and the role that the merchant marine plays in achieving and maintaining seapower.

President Eisenhower, than whom none is better qualified to assay the role of the merchant marine, has characterized the merchant marine as the fourth arm of the national defense in the following quotation:

Your letter of September 30 and subsequent telegram relative to joint meetings of Propeller Club convention and American Merchant Marine conference in Los Angeles have been received.

This was last October, Mr. Chairman.

Regret that campaign schedule pressures are such that I cannot arrange personal attendance at meetings in Los Angeles during California visit.

Senator POTTER. I believe the President was a little busy at that time.

Mr. SANFORD (continuing):

In 1944, from London, I said, "when final victory is ours there is no organization that will share its credit more deservedly than the American merchant marine."

We were caught flat-footed in both world wars because we relied too much upon foreign-owned and operated shipping to carry our cargoes abroad and to bring critically needed supplies to this country.

America's industrial prosperity and military security both demand that we maintain a privately operated merchant marine adequate in size and of modern design to insure that our lines of supply for either peace or war will be safe.

I consider the merchant marine to be our fourth arm of defense and vital to the stability and expansion of our foreign trade.

The thousands of skilled workers in our shipyards and in allied industries who have spent their working lives in the building of ships and the machinery for those ships, together with the thousands of merchant seamen who have devoted

their lives to the sea, need assurance that never again will the United States neglect its merchant fleet.

To assist me in the determination of policies to promote that end I have appointed Senator Saltonstall, of Massachusetts, as chairman of a special committee of experienced legislators to advise me on merchant marine problems. The other members of the committee will be Congressman Alvin Weichel, of Ohio, T. Millet Hand, of New Jersey, and John Allen, of California.

This group of legislators, whose experience and interest span the entire Nation, is completely familiar with maritime affairs, and, through their advice to me, will help to assure that the Republican Party will adopt progressive and practicable maritime policies to remedy the existing weaknesses in our merchant marine and to plan to our future maritime needs.

Their willingness to serve in this capacity, is a source of personal gratification to me and a guaranty that under Republican leadership, the American merchant marine, which has so often in the past been neglected, will be revitalized and expanded.

Senator POTTER. I am glad you put that letter in your statement, Mr. Sanford.

Mr. SANFORD. It may be felt that national prestige is not too important. Nevertheless, we are judged abroad by that prestige. At the moment our national prestige is at a rather low ebb in many countries and areas of the world. However, if American-flag vessels disappear from the shipping lanes of the seven seas, our prestige will drop still lower and that very fact will place the world on notice as to our helplessness and vulnerability.

We cannot afford not to have an American merchant marine. Since World War II, the world maritime picture has changed. The merchant fleets of both our allies and our enemies were decimated as a result of the war. Thanks to a monumental but expensive war shipbuilding program, the United States, despite its heavy ship losses, emerged from the war as the premier shipowning nation of the world, even supplanting the United Kingdom in that respect. But shipowning is one thing and ship operating is another. Now some 7 or 8 years later, we find our active merchant marine gradually but definitely declining and the percentage of our foreign trade transported in American-flag ships falling off until now it is only 30 percent of the total.

In the meantime, we have helped to rehabilitate the merchant marines of our allies and of our former enemies as well, by gifts of ships, by sale of ships, and by the financial support of counterpart funds. The merchant fleets of our former allies, through these processes and their own efforts, have regained their prewar status and in many cases surpassed that status. Even Italy, Japan, and Germany are coming back strong merchant marinewise, with our assistance.

More ominous still, there has been a rising tide of nationalism on the part of other countries, many of which, not formerly maritime nations, as one facet of that psychology have conceived it to be in their own interest to create their own flag merchant marines, and have supported such merchant marines by compelling their nationals to ship via ships of their own flag, plus other restrictions detrimental to American-flag shipping. These types of restrictions are most difficult to combat. Many of these merchant marines are frankly national in character or at least largely supported or assisted by their respective governments.

This world situation all adds up to agrgessive and, in many cases, vicious competition on the part of foreign merchant marines with American-flag ships, thus adding greatly to the fundamental handicap of higher costs inherent in American-flag operation. It thus must seem

obvious, even to the uninitiated, that the handicaps under which American-flag ships operate justify the most serious consideration of the means by which such an indispensable national facility is to be maintained.

There is no counterpart in other types of transportation facilities which has problems similar to those of the shipping industry in foreign trade. The railroads, the bus and truck industries, inland river and Great Lakes water transportation, domestic air transportation are all domestic services, each competing with other domestic transportation services, all operating on a cost basis predicated on the American standard of living, with the one exception of overseas air transportation. Where one domestic service competes with another, no question arises as to low foreign capital and operating costs.

Even in the case of domestic competition, however, there is one phase of the American merchant marine upon which we have relied in the past, which postwar has suffered a continual and what now appears to be a permanent decline, unless drastic steps are taken to rehabilitate it. That phase is domestic water transportation in the form of coastwise and intercoastal shipping. Prewar, that part of our shipping industry was substantial and provided many ships, the use of which, when requisitioned at the commencement of World War II, was invaluable. Today, that sector of the American merchant marine has shrunk to the point that it is no longer a significant factor and would be of slight help in an all-out mobilization, as compared to the part it played at the commencement of World War II. Coastwise and intercoastal passenger services have to all intents and purposes disappeared. The automobile, the bus, and the plane have brought that about. There are still some coastwise and intercoastal cargo services, but they are having a struggle to exist against competing land and air transportation, particularly in the face of rail competition, operating under the noncompensatory railroad freight rates permitted by the ICC.

The matter of revitalizing the coastwise and intercoastal services, even the cargo services, presents a most difficult problem. However, the national interest demands that this subject receive most serious consideration. The difficulty is enhanced by the fact that here there is no question of low-cost foreign competition involved, as foreign-flag ships are prohibited by law from engaging in domestic water transportation services. Hence, the theory of parity, upon which assistance provided by law to American-flag ships engaged in foreign trade is predicated, does not apply, and some other criterion or justification for Government assistance would have to be employed.

Senator POTTER. There is no question about water transportation being cheaper than rail transportation?

Mr. SANFORD. No question at all.

Senator POTTER. The big question is in the capital investment, is that not true—in the cost of construction?

Mr. SANFORD. And the rate permitted to be charged by both.

Senator POTTER. By the Interstate Commerce Commission?

Mr. SANFORD. Yes.

Having discussed some of the aspects of the merchant marine and the justification thereof on an economic basis, one of the two broad general justifications for an American merchant marine, let us now

consider the other broad general justification; namely, the national security.

As normally used, the term "national security" implies military security; i. e., the military use of perchant vessels which may be required by the logistics of the military situation.

However, there is another connotation of the term "national security" too often altogether overlooked, which it may be well to consider at this point before proceeding to national security in the purely military sense.

The discussion heretofore given is intended to establish the American merchant marine as an indispensable factor of the national economy and the national welfare. In that very connection, however, it likewise is indispensable to the national security in the sense that, unless our national economy is sound, national security is unattainable. Hence, as a necessary basis for national security there must be a national economy that can support a national defense program with all that such a program implies. The national economy must be prosperous for, unless it is, the taxes required to finance a national defense program will not be forthcoming from industry and from the employees of industry.

Essential strategic materials, either not produced at all in this country or not produced in sufficient quantities, must be available. Foreign trade must flourish to produce, by way of exports, the volume of business essential to a sound and prosperous economy and to furnish, by way of imports, the necessary materials to permit the manufacture of the products required both for our domestic and foreign trade.

Hence, it should be stressed that, entirely aside from the military aspects of national security, that security is contingent upon a sound national economy, which, in turn, is contingent upon a modern and adequate merchant marine without which the control and promotion of our foreign trade would pass into alien hands to the detriment of our national economy. This aspect of the national economy and the national security is so interwoven as to make it impossible to separate one from the other. It thus becomes self-evident that neither can be assured or even exist without the other.

Passing now to the purely military aspect of the merchant marine as it affects national security, the experience of World Wars I and II has provided positive and incontrovertible evidence that a modern and adequate merchant marine is indispensable to the successful prosecution of any war. Even more than that—I think this is very important—it is the best and cheapest national insurance against war that can possibly be provided.

Historically we have fought most of our wars overseas by joining with overseas allies in an all-out attempt to stop an aggressor over there, thus not only saving those allies from being overrun, or at least curtailing that overrun until our full and combined strength could be brought to bear, but also keeping the war as far away as possible from the continental limits of the United States, thereby preserving intact our industrial facilities, including shipbuilding and ship repairing, so indispensable to produce the wherewithal with which to prosecute the war. Without our industrial capacity effectively utilized, particularly vital and indispensable because of the

curtailment and destruction of that of our allies, both our allies and ourselves must eventually succumb.

It inevitably follows that the military products of our industrial capacity must be transported overseas by ships to all the various theaters of war, and for that purpose we must have ships. At the outset, we must have at least sufficient ships available to take the initial impact and transport the men, munitions, and equipment which the military deem necessary at that time. Such ships must be ships actually in operation, or possibly available for immediate operation, not ships on paper yet to be built. They must be ships of modern design and adequate speed, properly distributed in the several essential categories of cargo ships, tankers, and troop ships. Admiral Wilson, in his very fine presentation already made to this committee, has given you some idea of these requirements. However, it is clear from Admiral Wilson's presentation that what we now have in the way of a modern merchant marine falls far short of even the initial requirements as determined by the military authorities.

Under these circumstances, it becomes imperative that action to modernize and expand the merchant marine to the extent practical be undertaken forthwith. Delay is dangerous because no one can tell when the lightning will strike. Our ships presently in operation grow older day by day and the danger of block obsolescence constantly increases. Even the highest class ships constructed during the war have reached or are reaching the half-way point in their useful lives. The useful life of a seagoing ship is usually considered to be approximately 20 years. There are ships over 20 years old in operation, but even though such ships are maintained physically in reasonably good operating condition, the cost of such maintenance becomes greater and greater as the years go by and eventually becomes prohibitive.

Aside, however, from the mere facts of age and cost of maintenance, there is a still more important factor to consider. That is obsolescence. Many ships become obsolete long before they are worn out. Their machinery is uneconomical according to modern standards, their speeds are low and far from adequate, and their equipment antiquated. The science of naval architecture and marine engineering continually progresses, abroad as well as here. The renovation and replacement of foreign-flag shipping, decimated as a result of World War II, has proceeded apace in the past 7 years and foreign shipyards are congested with work, with backlogs of orders for several years to come. The resulting foreign-flag merchant marines thus have a much higher ratio of new or nearly new modern ships than our own and do not have the same obsolescence problem with which to contend.

Senator POTTER. Why is that so?

Mr. SANFORD. Because with a much greater proportion of new ships in each fleet, the period when they will have block obsolescence is much further away, and with the continuing replacement that continually pushes that into the background.

Senator POTTER. And I assume most of the countries did not enter into a concentrated shipbuilding program during the war?

Mr. SANFORD. They were not able to. Their facilities were overrun and prevented from operating.

Hence, those same foreign-flag merchant marines have a decided competitive advantage over our own, in the type, character, and age

of the individual ships, entirely aside from the advantage costwise, both as to acquisition and operation.

From the point of view of national security, the disparity is even more pronounced. In modern sea warfare today the use of modern naval vessels, submarines, and planes in great numbers by an alert and aggressive enemy makes it imperative that military overseas transportation requirements be undertaken only with the most modern vessels, speed being the predominant factor. The huge, slow convoys of World War II days would be sitting-duck targets no matter how zealously they might be guarded.

At this point, some consideration should be given to the well-known Libertys constructed during World War II and constituting the bulk of our so-called reserve merchant fleets. The Libertys were obsolete when they were constructed. The design was adapted, with some modifications, from the so-called standard British tramp, slow, uneconomical, with obsolete propelling machinery and equipment, but, as of the time, still suitable for typical tramp service. That design was adopted reluctantly only because it was necessary to produce a great number of ships in the shortest possible time in emergency shipyards, manned mostly with green men, who could be trained in a relatively short time for repetitive operations. The industrial facilities available in the United States were wholly incapable of producing modern propelling machinery—i. e., steam turbines and reduction gears—in sufficient quantity for the necessary program of ships. Nor could our industrial facilities be expanded in any reasonable time to produce such modern propelling machinery, particularly hobbing machines for cutting gears, which are very intricate machine tools requiring a long time to manufacture, and for which facilities in which to manufacture also were not available.

The hobbing machines which were then available were occupied to capacity on naval vessels and on the long-range vessels of the C and T type, designed by the Maritime Commission before the war, for its then contemplated replacement program intended to modernize the existing merchant fleet.

So we constructed the Libertys in vast numbers. We did have sufficient facilities which could be adapted for the construction of the triple-expansion engines required for the Libertys, although such engines were necessarily limited in size and power, thus involving a resultant speed limitation in the ships themselves. The program was successful. The ships served the purpose for which they were built admirably. They won the war for us by overcoming the heavy losses inflicted by submarines by sheer weight of numbers.

In the meantime, facilities for manufacturing hobbing machines for cutting marine gears were expanded so that, during the latter part of the war, marine reduction gears could be produced in larger quantities. It was then, and not until then, that the Liberty program was superseded by the Victory program of modern ships.

Now we have what is left of the Libertys, after many were disposed of under the Ship Sales Act of 1946, in the reserve fleets to the number of some 1,500. The question is, What value do they now have to our national economy and to our national security?

It is true that some of them have served useful purposes in several instances since the conclusion of the war. They were used for mutual

aid cargoes to Europe and elsewhere, for the shipment of munitions to our allies, and, more recently, for shipment of supplies and munitions to Korea. But, the mutual aid program is tapering off and probably will be terminated next year. Other tonnage is available for the shipment of munitions to our allies and that program is tapering off as those allies become more and more self-sufficient in the production of munitions for themselves.

As for Korea, we are presently living in hopes that that disastrous venture will soon be brought to a close. In any event, ships of this type could only have been successfully utilized for the transport of supplies and munitions to a foreign theater of war where we had complete control of the seas without an adversary to attack at sea, either on the surface, under the surface, or in the air. With a real adversary equipped with modern submarines and surface vessels as well as air power, we could not have avoided heavy losses in such an operation. It would be foolhardy indeed to rely upon such ships in any future war.

What future useful purpose then can be projected which justifies their retention and maintenance? At the moment none presents itself. It might be wise to retain some of them for possible emergency uses not now foreseen, but certainly not more than one-third of the present number, say 500 at a maximum. All Libertys should be thoroughly surveyed and 500 of those in best condition retained. The rest should be scrapped for whatever they will bring. Under no circumstances should they be sold in the world market. There are several compelling reasons why that action should not be taken. The law expressly forbids it and the law is sound. The saving in maintenance by the scrapping of these vessels will be substantial, as well as the recovery from the scrapping.

It has been more or less customary to refer to our merchant marine as consisting of some 3,300 ships of which some 1,300 are active and the balance inactive, referring, of course, to those in laid-up status in the reserve fleets. I consider this an erroneous conception which has a tendency to impress the uninitiated with the idea that we have a huge merchant fleet, and thereby lead them to question the necessity for any shipbuilding under the circumstances. Merchant ships in Government reserve fleets are not and should not be considered as a part of the merchant marine. Only active ships constitute the merchant marine, and the sooner we adopt that conception, the more realistic we will become. A merchant marine consists of ships sailing under the American flag. What folly to compare a merchant fleet which includes some 2,000 laid-up obsolete ships with the British merchant marine, for example. Of what value is such a comparison?

Thus, aside from the competitive disadvantage caused by a lack of new vessels, there is involved a great danger to our national security. It is not enough to plan modern ships and then file the plans awaiting some future day when it is felt that the condition of our national finances will justify their construction. That day will never come, or, if it does, it will be much too late, and its duration will be brief indeed.

Plans must be made at once for a sound ship construction program to be spread over the years at a modest but effective annual rate so as to provide continuing replacements of old and obsolescing ships with new modern high-speed ships, and eventually provide for expan-

sion of the present fleets up to the point that shipping operators can absorb the additional tonnage in a profitable operation. If, in the judgment of the military authorities, more tonnage than can be economically absorbed by private operators, is needed to provide minimum initial requirements, the additional tonnage will have to be constructed for Government account without help from the shipping industry. However, the maximum tonnage possible as a joint undertaking of the private shipping industry and the Government should have first consideration. Then consideration should be given to the construction of desirable prototypes, for trial purposes and to establish a basis for their subsequent construction in quantity, if and when required.

Naturally, any such recommendation immediately raises the question of the financing of such a program. How many millions per year will it cost the Government? How can the Congress justify such an expenditure in the face of an economy program designed to reduce Government expenditures and to eventually balance the national budget? No one questions the desirability of a balanced budget. It is just as essential nationally as individually. But, as individuals, we provide insurance of many and varied types to protect life, property, and liability for ourselves and our families, even though the cost thereof is substantial and may make it necessary to curtail on other items. We do not say, "Well, it's just too expensive; we cannot afford it, so we will do without it and keep our fingers crossed." Nor can we afford to take that attitude nationally.

If the building, maintenance, and operation of an adequate merchant marine is essential, both to the national economy and to the national security, which it is believed has been adequately demonstrated and cannot be controverted, the premiums paid to provide such national insurance are necessary expense. We should be thankful that part of the cost of providing such national insurance is underwritten by a private industry, the shipping industry, in its endeavor to operate successfully by promoting foreign trade, which in turn promotes the national economy. Where else in private industry is such a financial contribution made to the national security?

Let us look back, first, to World War I, and note the billions that were expended in a war shipbuilding program, and second, to World War II, and note the many more billions expended in another fantastic war shipbuilding program. Shipbuilding in wartime is expensive and, furthermore, it is always too little and too late. In both wars, we barely overcame the heavy losses inflicted by U-boats. It was touch and go for a time. All because we lacked foresight to make adequate future plans and the courage to carry them out.

If we had over the years maintained our merchant marine in adequate condition by a consistent replacement program, we not only would have had available the initial requirements in shipping each time, but we could have saved many of the billions expended on the war shipbuilding programs and our present national debt would be less than it now is by the billions saved on which, incidentally, no interest would have been incurred such as that which now pads our annual budget and will for years to come. Two hundred million dollars a year expended annually on new ships is equivalent to the interest at 3 percent on something less than $7 billion. So we could well have afforded to have spent $200 million per year out of annual

income rather than now pay much more than that in annual interest on the added billions in the national debt. At the same time we would not still be saddled with the principal of the debt. We would have been on a pay-as-you-go basis. We can still afford it.

We have been very free with our money in respect to other nations, friend and foe alike, and have, to a large extent, financed the reconstruction of their merchant fleets to not only their prewar equivalent, but in many cases much more. What passes human understanding is that we have taken this action to rehabilitate their respective national economies, which, incidentally, has enabled them to compete more effectively with us, but at the same time we have refused to rehabilitate our own national economy to the same extent and thus have jeopardized our national security by failing to provide the overseas transportation facilities indispensable to that national security.

One of the vital elements of overseas transportation, as Admiral Wilson pointed out, is troop-lift capacity. The present troop-lift capacity of all existing American-flag passenger vessels is far less than that which existed prior to World War II, so that in that respect we are much worse off now than we were then, even though initial requirements are undoubtedly much greater.

There have been constructed since the war in this country three fine passenger ships. That is all. To the extent that these ships provide additional troop-lift capacity, there is an improvement in the situation, but it is a pitifully small one. These ships were constructed under the construction differential subsidy provision of the Merchant Marine Act of 1936. We have a right to be proud of them, but that pride is clouded by an acrimonious, arbitrary, unjustifiable, and wholly unnecessary controversy as to the subsidy awarded, although determined pursuant to law and to the authority granted in that law. As a result, no one knows where the title to those ships will ultimately lie, despite executed contracts of sale in which the sale prices were stipulated. Large sums due the operators on other accounts arbitrarily have been sequestered. Suits in the Court of Claims to recover such sums seem to be the only alternative left the operators.

Senator POTTER. Until that controversy is settled, no one will have ships constructed?

Mr. SANFORD. That is right.

Under such conditions, it is not surprising that operators appear reluctant to fulfill their contractual obligations to construct replacement tonnage, with no assurance that any contract to purchase new ships at an agreed price would have any degree of finality. However, despite that most confusing and aggravating state of affairs, two of our foremost ship-operating companies recently indicated their willingness to proceed with badly needed replacements for old and obsolete existing passenger tonnage on terms consistent with the provisions of the 1936 act. Bear in mind that these companies had a contractual obligation to construct this replacement tonnage and that the obligation was equally binding on the Government to assist in the replacement. Also bear in mind that such replacement tonnage is vitally needed as additional potential troop-lift capacity and is the cheapest national-security insurance that money can buy. Further bear in mind that unless the existing tonnage is replaced, the routes which

they service and the business they produce, so painstakingly built up over the years, must ultimately be abandoned to foreign-flag ships to the detriment of our foreign trade and our economic stability.

Yet, when contractual authority and the necessary appropriation for these vessels was eventually included by the Appropriations Committee in the Department of Commerce appropriation bill for the Maritime Administration, after much difficulty and over executive objection on the plea of Government economy, both the authority and the appropriation were decisively defeated in the Senate. The matter did not have an opportunity to be considered on its merits, but was summarily disposed of on other grounds such as:

1. The need for governmental economy, without consideration of the possibility that ill-advised and shortsighted economy may prove to be not economy at all in the long run, but the reverse.

2. Lack of interest and undoubtedly lack of knowledge on the part of many as to the fundamental facts such as I have attempted to outline herein.

3. A demagogic appeal accompanied by reckless charges that can not be sustained by the facts.

The amount of money involved for fiscal 1954 was relatively small. Even the administration which indicated its opposition, on the ground of the necessity for economy, admitted that there was no saving involved, merely a deferral until the fiscal year 1955. It must be evident that the need for governmental economy and for an all-out effort to balance the national budget will be just as compelling next spring as this spring, and, in the meantime, valuable time will have been lost and irreparable damage inflicted on maritime industry, and on the national security as well.

Some comment on the question of maritime subsidies appears to be in order. The word "subsidy," applied to the construction and operation of ships engaged in foreign trade, unfortunately has some unpleasant connotations. That is probably due in part to recollections of former mail subsidies, and, more recently, to huge subsidies paid out on various farm products to support predetermined price levels. It would be better if some other synonym could be employed to which the public reaction might be different, but no satisfactory one has yet been suggested.

We have, and have had for many years, in this country a system of protective tariffs designed to protect American-produced products from ruinous foreign low-cost competition. The ultimate objective of the tariff system is to protect our national economy by assuring that American industries and agriculture are not forced out of business by cheap foreign competition made possible by the difference in living standards between such foreign producers and our own. We hear much today of the slogan, "Trade Not Aid" in connection with which it is proposed to reduce or eliminate tariffs in order that foreign nations may earn dollars with which to rehabilitate their respective national economies. To the extent that it is practical to do so, existing tariffs may be adjusted to permit foreign nations to earn more dollars, provided that such adjustments are carefully considered to assure that there will be no serious adverse effect upon American industry and thus on the national economy. The Government of the United States depends for its financial support upon the taxes paid by American industry and its employees. No industry, no taxes. Curtailed

industry, curtailed taxes. Furthermore, the national security depends upon American industry, both to produce the funds with which to pay for defense production and to produce the products themselves.

Maritime subsidies in effect are tariffs, although they operate in the reverse. Their objective is to protect maritime industry from low-cost foreign competition. There is no practical way to impose a tariff on foreign shipping so American industry is paid the equivalent of a tariff to offset the low foreign cost of building and operating ships. Maritime subsidies are not gifts as those who characterize them as "gravy" appear to feel. Their payment is surrounded by ample safeguards and is contingent upon the assumption of certain obligations. One of those is the obligation to construct replacement tonnage when required.

I might also have said that the record will show the very substantial recoveries made on account of the operating subsidies that have been paid to the various operating companies.

Senator POTTER. I think over half of the operating subsidy has been recovered.

Mr. SANFORD. That is correct.

The same care should be exercised in considering maritime subsidies as is necessary in considering tariffs. The parity theory is essentially a sound one. It has real justification, namely, to provide equality of opportunity for American-flag ships and thereby serve both the national economy and the national security.

One of the purposes of the Merchant Marine Act of 1936 was to place the merchant marine on a sound basis so that it would in fact be the efficient and adequate merchant marine that the national maritime policy contemplated. It was realized that prior maritime legislation over the years had failed to accomplish that objective. So the Maritime Commission, appointed pursuant to the act, after an exhaustive survey, study, and analysis of the then existing merchant marine, decided that the most pressing immediate need was to modernize the existing fleet and thus combat the menace of obsolescence by inaugurating a long-range ship-construction program of modern ships. This program was started by an initial 1-year program of 50 new ships and it was contemplated that the program would be carried on for 10 years at that rate. The first year's program was undertaken, but before the second year's program could be started, we were confronted with World War II, and although not yet actually in it, stepped up our shipbuilding program to meet the exigencies of the world situation. That acceleration eventually developed into the huge war shipbuilding program which is a matter of history. After the war was over, little thought was given to the original long-range ship-construction program. Most of us then were not too much concerned about building more ships but about what to do with the ones we already had as a result of the war shipbuilding program.

From that concern resulted the Ship Sales Act of 1946. It was a partial answer to the problem of disposition. Many ships were sold, both at home and abroad, at prices determined by a formula established by the Congress in the act. The rest were placed in mothballs in the several reserve fleets to be preserved for use in some possible future emergency. It was not then foreseen or at least overlooked that unless that emergency came about relatively soon, the majority

of those same laid-up ships, already obsolete, would be of little use and, as the years went by, would become more useless, and progressively less and less an asset to the national security. No one then could foresee the radically changed world conditions with which we are now confronted or the radical changes in the instruments of sea warfare.

So now it is 1953. We are back where we were in 1936 as far as the merchant marine is concerned. It is rapidly becoming obsolete; it is in crying need of modern replacements and yet no action has been taken with respect to a sound and continuing long-range ship-construction program. Admiral Wilson has suggested the minimum requirements of the military in respect to auxiliary vessels. The only difference between now and early 1936 is that now we still have the 1936 act under which we could construct ships but do not. Then we didn't have it but, because of the need for it, the act was passed. Between its pasage and the commencement of World War II, the act produced results.

World War II is long since over. We still have the act but now it is producing no results. The policy is there, the authority is there, the means are there. What then is lacking? Initiative, courage, and follow-through to develop another long-range program to take the place of that washed out by the war, and then the necessary contract authorizations and accompanying appropriations by the Congress, which means, of course, that a majority of the Members of Congress must be convinced that such a program is sound, indispensable both to our national economy and our national security, and, from the long-range point of view, economical.

If the administration, as a result of the several investigations now under way, ultimately endorses the national policy enunciated in the 1936 act and reiterated in the 1946 act, and then actively promotes that policy by carrying out its objectives, that demonstration of leadership will have great weight with many Members of Congress.

However, it now has become evident that there is not likely to be any action of this nature before Congress convenes the first of next year. Assuming that there is a definite program advocated then, it seems reasonable to forecast now that such a program is not likely to become effective before July 1, 1954, which would mean that no ship-construction orders could be placed before the latter part of the year and little, if any, ship construction actually commenced in the shipyards before January 1, 1955. No deliveries of completed ships can be anticipated before the latter part of 1955. That is better than 2 years away. In all seriousness, I pose the question: Can we afford that delay?

From the point of view of foreign trade and the national economy, we can probably keep our present ships operating during that period although they will continue to be at a greater and greater competitive disadvantage with newer, modern, faster, more economical, and more efficient foreign-flag ships, and it well may be expected that the present downward trend in the percentage of our foreign trade carried in American-flag ships will continue and may even be accelerated.

But when we consider the national security, the situation is even more serious. Instead of immediate action to remedy known deficiencies in our merchant fleet, in effect, we will be postponing the decision in the hope, which may not be realized, that there will be no

need for these vessels for security purposes and that, if there is, we will muddle through somehow, as we have done before. We have done that before, it is true, but we paid a fearful price, not alone in money, but in lives, in the loss of invaluable materials and equipment which might have saved at least some of those lives, and in an unnecessary prolongation of the war with the toll that such an eventuality entails. Is it worth while to take that chance? Can such a decision be termed a calculated risk?

I might point out before World War I we had a period of grace because of the great volume of foreign orders placed in this country before we had to do it for our own account, and before World War II we had the long-range program of the Maritime Commission, which again permitted us a chance to get ready. I do not think we can hope for such a period of grace the third time.

Mr. DREWRY. There were a number of foreign orders, too, before World War II?

Mr. SANFORD. Yes. At least, we should not depend on it.

So far, I have dwelt upon the merchant marine and have endeavored to analyze both the necessity for and the uses of a merchant marine. I have not attempted, specifically, to delineate what the size or composition of the merchant marine should be. That is the function, on the one hand, of the shipping operators who should know how many ships and of what types ultimately can be absorbed economically in the foreign, and also domestic trades, of the United States, and on the other hand, of the military authorities who should know what and how many ships would be required, in the event of a national emergency leading to war, both initially and ultimately. Admiral Wilson has covered the military phase effectively, and several competent shipping operators who have already appeared before this committee have analyzed the extent to which ships can economically be absorbed in the merchant marine, both as to numbers and types.

But, I come now to the shipbuilding and ship-repairing industry, which I have the honor to represent. That industry is one of the indispensable elements of maritime industry. The American merchant marine cannot exist without the shipbuilding and ship-repairing industry to construct, repair, and service ships for the merchant marine and the shipbuilding and ship-repairing industry cannot exist without the merchant marine to place orders for new ships and furnish ships in operation for repair and maintenance. Each must have the other.

Referring back, now, to the lapse of time that appears inevitable before new ship construction can be expected to get under way, and the effect of that lapse on our national economy and national security, insofar as the merchant marine is concerned, let us examine the effect upon the shipbuilding and ship-repairing industry.

Shipbuilding, unfortunately, over the years, has been a feast and famine industry, due entirely to a lack of continuity in ship construction. Prior to World War I, it was in the doldrums, struggling to continue a precarious existence. Shortly prior to the war, during the war, and for several years thereafter, it was extremely busy. The war ended in 1918, but most of the ships contracted for under wartime contracts were not delivered until after the armistice, too late to see actual war service. Then came a long period through the middle and late twenties and the early thirties which constituted

another struggle for existence. That period culminated in the Merchant Marine Act of 1936, which had a dual purpose, namely, to rebuild the merchant marine and revitalize its indispensable corollary, the shipbuilding and ship-repairing industry. The long-range construction program that was instituted pursuant to the act did just that. It was a miracle of timing, even though fortuitous and not premeditated or planned, that this expansion in shipbuilding came when it did, because it enabled the existing shipyards to get under way, to improve their facilities, to expand their organizations, and to distribute shipbuilding know-how. All this proved invaluable when, in anticipation of our entry into the war, and later, after our actual involvement in hostilities, the war shipbuilding program got really under way. That preliminary expansion made it possible to construct all the emergency yards and to man each of them at least with a small nucleus of trained men so that they, too, could then continue the expansion necessary to carry out their respective programs.

Had it not been for this preliminary opportunity to expand, the war shipbuilding program would have taken much longer, progress would have been slower, and there is a reasonable doubt that completed ships could have been delivered fast enough to overcome submarine losses and provide the necessary tonnage to meet the requirements of military logistics. There is even doubt that we could have won the war, because there was a time when the issue was in grave doubt, due to lack of adequate overseas transportation facilities.

If war should come again, which all of us trust will never happen, but which we cannot guarantee will not happen, will we be caught again unprepared as to adequate overseas transportation facilities, despite the lessons of two previous world wars? Our best efforts now are directed toward building up such a formidable military force, in the air, on land, and on the sea, with all the equipment such a force entails, and with a worldwide distribution of bases, ashore and afloat, so that we will be in a position to effectively contain any enemy aggressive effort, and thus make such an aggressive effort not worth the risk.

In the world of today, unfortunately, the possession of overwhelming force affords the only assurance of peace. And until the hearts of the men in the Kremlin sincerely desire peace for peace's sake rather than for temporary expediency, there can be no assurance of peace. Will we be foolhardy enough to overlook the indispensable fourth element of military power, namely, the overseas transportation necessary to supply those farflung bases and support our forces abroad should war come?

If we do, we will be naive indeed, and make ourselves extremely vulnerable. That fact will be recognized throughout the world. We cannot keep it to ourselves. In other words, we cannot bluff our way to worldwide peace.

Unless we undertake forthwith a sound ship-construction program, designed to promote our foreign trade to the utmost, and assure the national security, the shipbuilding and ship-repairing industry, the supplier of capital goods and services to the shipping industry, will gradually fade out of the picture and sink into a condition of innocuous desuetude. If the occasion should arise to resurrect it, that operation will be extremely difficult, expensive, and, worst of all, time consuming, when time is of the essence.

The present condition of the shipbuilding and ship-repairing industry is a matter of grave concern to those in the industry, and should be of equal concern to the Congress and the people of this country at large. The difficulty is to make others, not familiar with the facts, realize that they have any stake in such an industry or that it is of any interest to them, individually or collectively. They fail to see the chain which links together the various industries upon which our foreign trade, our national economy, and our national security must depend.

A chain is only as strong as its weakest link. If that weakest link fails, the chain is gone. If the shipbuilding and ship-repairing industry fails, or becomes nothing but a ghost of what it should be, the merchant marine, as such, that is, the shipping industry, cannot function, our foreign trade, instead of expanding, will contract, our national economy will be adversely affected, and our national security placed in the most serious jeopardy. Now, let us trace the reaction in the other direction. Whichever way you trace it, it is still a chain reaction. With the shipbuilding and ship-repairing industry on its way out, or at best, struggling for a precarious existence, the unique skills essential to and characteristic of ship building and repairing are dispersed and lost, the heavy capital investment in the facilities required to efficiently and economically prosecute such work becomes nonproductive, physically the facilities deteriorate as they cannot be properly maintained, much less improved and kept up to date, organizations of skilled technicians and administrators built up over the years fall apart and, if any remain, they remain only skeleton form, and that invaluable and indispensable asset, known for a lack of a better name as know-how, vanishes.

But that is not all. The reaction reaches far beyond the shipyard. The loss of employment in the shipyards is bad enough, affecting as it does our national economy, our national income—unemployed men do not pay taxes, neither do bankrupt corporations. A shipyard is, in some respects, a tremendous assembly plant in which the products of mill and factory throughout the United States are incorporated into what eventually becomes a ship.

Each one of the orders normally placed by a shipyard goes to a plant somewhere in the United States. The loss of them affects each of those plants, reduces their employment requirements, and their capacity to make a profit, with a similar effect upon the national economy and the national income. Each of those plants, in turn, has its own suppliers of materials or equipment, either raw or manufactured. They, in turn, have their own sources of supply, and so on, until ultimately the basic sources of supply of raw materials, the farm, the mine, the forest, and others, are inevitably affected.

It cannot help but be evident that the accumulated effect of the demise of the shipbuilding and ship-repairing industry on our national economy would be most serious, entirely apart from its effect upon the national security, which could be disastrous.

You may feel that I have painted a rather black picture. However, it can happen and may happen, unless a public awareness and a public understanding of the situation can be inculcated in enough people to prevent it.

Now, let us see just what the present status of the shipbuilding and ship-repairing industry is; what are its present prospects for the future.

In talking about orders for ships and the construction of ships, it must be realized that there is a very substantial timelag between the receipt of an order for a ship and the commencement of actual construction in a shipyard. That timelag will vary, depending on the type of ship, whether it is a duplicate of some previous ship, which it seldom is, on the workload in the yard, and on various other factors, but it is in the order of from 6 months for a relatively simple ship to a year or even 18 months for a large passenger liner.

That is why one cannot look at the record at any particular time and, because of the fact that a number of ships may be under construction in a shipyard and there is substantial employment in connection therewith, state without reservations that the condition is good, just because there is substantial work under way and equally substantial ship deliveries to be made by that particular yard during that particular year. The real key to the situation is the condition of the order book. Are there any orders in hand for ships not yet laid down? Have any orders been placed recently? If not, how long since a new order was received? What are the prospects for orders in the immediate and in the more distant future?

Applying that test to American shipyards at the present time gives cause for great concern to the industry. Not an order for a seagoing merchant ship of any type has been placed with an American shipyard this year. When a 6-month period passes without an order, it means that at a somewhat later date there will be a flat spot in a shipyard's construction activities. And when there is no prospect of any orders within the foreseeable future then the situation becomes desperate.

Ship construction is a long-term operation on a relatively few, large, complicated, expense and tailormade units; it is not like a manufacturing operation where there is mass production of a very large number of units on a production line with the techniques that have been developed for that type of operation and with the continuous employment of all the crafts involved in the operation, all based upon a market of sufficient size to absorb the results of such mass production. Shipbuilding involves many crafts, a number of them specialized and highly skilled, and different crafts work on a given ship at different times depending upon the stage of construction.

For example, when a hull leaves the building ways and is launched, it is moved over to a fitting-out berth where work is continued on interior installations and the topside. Most of the men who worked on the ship on the ways do not follow the ship. They are available for the construction of another hull on the building ways, and, if there is no such hull, they must, of necessity for the most part, be laid off. Once they are laid off, they scatter, hunting jobs in other types of industry if they can find them. If, at some later date, there is need for them again in the shipyard, some may come back, but others will be reluctant to, depending upon how successful they have been in acquiring other employment at equal or better compensation and with more assurance of permanency. It is always a difficult job to reassemble men in a shipyard after a layoff of whatever duration, and inevitably involves training new men to round out a working force, which is both expensive and time consuming.

Comparatively recently, our shipyards have gone through that cycle. After having a period of little or no employment, the private tanker program, combined with the Maritime Administration's

Mariner program, made it necessary to build up their working forces from a very small nucleus. Extreme difficulty was encountered in so doing, and the planned construction schedules could not be adhered to because of the time required to assemble the necessary force.

I might say that steel and other material shortages had an effect on that, too. Now that hurdle has been topped and there again faces the yard the prospect of extensive layoffs. Is there any sense in such a picture? To the shipyard managements, it is heartbreaking to see their efforts vanish in thin air.

Senator POTTER. What is the condition of the shipyards at the present time? They have the Mariner program under way and the tankers. I assume the tanker program is about completed, is it not?

Mr. SANFORD. No; there are still tankers under construction. I intended to show you this a little later, Mr. Chairman, but I will show it to you right now.

I think it will illustrate what I have in mind. This is a photostat of a chart prepared by the Maritime Administration, but it is based on a chart prepared by the Shipbuilders Council and furnished to the Maritime Administration about 3 months ago.

It shows here, and we obtained all this information from the yards involved, not only the actual labor, but the projected labor for the future, as well as each company could project it.

Then the result was consolidated to form this curve. At the same time we drew another curve in here to show the tonnage on order, picking up the deliveries as they came along to show what would be left. So you can see those two curves to a certain extent parallel each other. You can see the amazing rate at which they will drop off, based upon the present workload, without any new orders involved.

Senator POTTER. This is 1953?

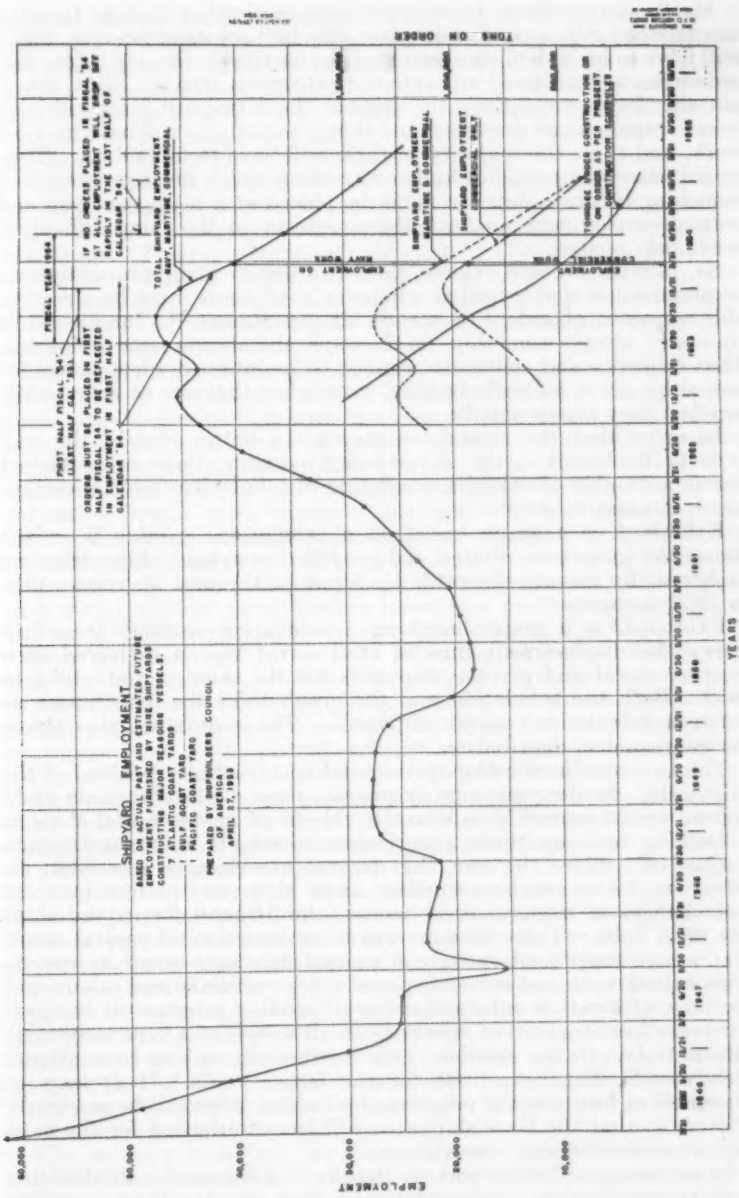
Mr. SANFORD. That was projected all the way to the end of 1954, on the best information that the yards themselves could furnish to us.

Senator POTTER. The prospects now are for a decline——

Mr. SANFORD. At the moment, reasonably busy, but the future looks bad.

Senator POTTER. Without objection, the chart will be made a part of the record at this point.

(The chart referred to is as follows:)


SHIPYARD EMPLOYMENT
BASED ON ACTUAL PLANS AND ESTIMATED FUTURE EMPLOYMENT AS REPORTED BY NINE SHIPYARDS CONSTRUCTING MAJOR SEAGOING VESSELS.
7 ATLANTIC COAST YARDS
1 GULF COAST YARD
1 PACIFIC COAST YARD
PREPARED BY SHIPBUILDERS COUNCIL OF AMERICA
APRIL 27, 1938
FISCAL YEAR 1939
FIRST HALF FISCAL '39 = LAST HALF CAL. '38
ORDERS MUST BE PLACED IN FIRST HALF FISCAL '39 TO BE REFLECTED IN EMPLOYMENT IN FIRST HALF CALENDAR '39
IF NO ORDERS PLACED IN FISCAL '39 ALL EMPLOYMENT WILL DROP OFF RAPIDLY IN THE LAST HALF OF CALENDAR '39
TOTAL SHIPYARD EMPLOYMENT NAVY, MARITIME, COMMERCIAL
EMPLOYMENT ON NAVY WORK
SHIPYARD EMPLOYMENT MARITIME & COMMERCIAL
SHIPYARD EMPLOYMENT COMMERCIAL ONLY
EMPLOYMENT ON COMMERCIAL WORK
TRADING AS NOW CONTRACTING OR ON BOARD AS PER PRESENT CONSTRUCTION SCHEDULES
TONS ON ORDER
EMPLOYMENT
YEARS

Mr. SANFORD. Even if new orders were received at the very time the last launching in a yard took place, the hull construction men would still have to be laid off on account of the inevitable timelag before new orders can be translated into actual construction activity. But, that is not all. In the meantime, the ships at the fitting-out piers will have been completed and delivered, and that group of men will have no more work, and thus, the majority of them will have to be laid off. Then would ensue the period of hull construction which must progress to a launching before a ship can again be placed at a fitting-out pier and normal employment resumed there, subject to the same difficulties previously recited.

So, it must become evident that in order to maintain continuous employment in a shipyard at whatever level, there must be a reasonable sequence of orders to permit all departments to function continuously, always some ships on the ways, and always some fitting out. That sequence and continuity cannot be maintained when orders for new ships are completely lacking, even when they are at a low level, or when they are spasmodic.

In order that the committee may get a better idea of the way activity fluctuates in the shipbuilding industry, there are attached hereto a number of exhibits, consisting of tabulations and, in certain cases, illustrative graphs.

Exhibit A is a graph based on a tabulation—exhibit B—which shows the gross tons of steel self-propelled merchant ships delivered each year by private shipyards by types for the past 39 years—1914 to 1952, inclusive.

Exhibit C is a graph based on a tabulation—exhibit D—which shows the displacement tons of steel naval vessels delivered each year by naval and private shipyards for the same period—1914 to 1952. Both the tabulation and the graph show the distribution as between private and naval shipyards. The tabulation also shows the geographical distribution.

The two combined make up the total construction workload of the shipyards. In the past, namely prewar, some of the shipyards could depend on a reasonably substantial volume of naval capital ships as a backlog to keep them going when merchant ship construction slacked off. Since the war, that picture has changed somewhat as, owing to the tremendous wartime naval ship construction program and changes in modern naval tactics, the demand for capital ships has been light. There is some naval construction of capital ships, that is, two super carriers—one in a naval shipyard—some destroyers, some submarines, and some of special types, auxiliary and others, but the bulk of a rather substantial naval building program in the past few years has consisted of relatively small vessels of a type to provide substantial work for smaller yards particularly suited to construct such vessels, but very little for the larger yards. It appears at present that future naval programs for capital ships will be extremely limited, so that the large shipyards will have to depend for the most part on merchant ship construction.

In order to graphically portray the effect of fluctuating shipbuilding activity over the years on employment, there are attached hereto, two graphs based on employment records. Exhibit E is a graph showing the yearly average of employment in the naval and private ship-

yards of the United States engaged in the construction and repair of naval and merchant vessels. Note that the chart shows employment on both new construction and repair work and shows separately that in the private and naval shipyards. In order to differentiate between construction and repair work, exhibit F is attached which shows the quarterly average number of employees in the principal private coastal ship-repair yards of the United States.

Ship repairing is an integral and indispensable branch of the industry with reference to which some special comments are in order. Ship repairers, unlike shipbuilders, are not dependent upon orders for new ships. Their problems are different. They repair, maintain, and service ships in operation, or about to go into operation after temporary layup, together with such occasional conversions as may be offered. Their customers, however, are still the shipping operators, and/or the Government.

Ordinarily, the volume of ship-repair work fluctuates roughly with the number of merchant vessels in actual operation in the merchant marine, as such vessels furnish the bulk of the repair work. Some work is obtained on foreign-flag vessels, and some on Government vessels, particularly vessels of the Navy. But, when the number of American-flag vessels in active operation declines, then the overall volume of repair work normally declines. While repair work on Government vessels is important at all times to the ship-repair industry as a substantial source of business, it becomes doubly important to the industry when the volume of private ship-repair work falls off as it may represent the difference between a profitable operation, or at least a break-even operation, and an operation at a loss.

Since the war, and particularly since the advent of the Korean campaign, and the national-defense program that has been carried on currently therewith, employment in the naval shipyards has been greatly expanded to handle a very substantial volume of repair and conversion work to the virtual exclusion of the private shipyards from participation in that work, except in certain isolated cases.

As a result, the average prewar ratio of approximately one-half as much employment in the naval shipyards as in the private yards has changed to the point where the naval shipyards have been employing as many and even more men than the private yards, based upon a very substantial volume of work, while the private repair yards, for the most part, had been forced to curtail their employment to almost skeleton proportions and have been hungry for work. With the advent of the new administration this year, the Department of the Navy has decided to curtail the work and, consequently, the employment, in the naval shipyards, by allocating a much greater proportion than heretofore to the private repair yards, realizing that the private ship-repair yards are an indispensable national security asset and an integral part of the planned mobilization base, without which the Navy and the Nation would be terrifically handicapped in the event of an all-out national emergency.

The industry feels that the Navy is presently cooperating to the end that the private repair yards may be enabled to secure at least sufficient work to retain their organizations and skills, maintain their facilities and the know-how so indispensable as a nucleus for any wartime expansion.

In all fairness to the Military Sea Transportation Service, operating auxiliary vessels for all the military services, it is desired to record that the service, in general, has been most cooperative, insofar as the placement in private yards of repair work on vessels under control of the service, whether Government-owned or chartered, is concerned.

Some additional exhibits are attached pertaining to the present workloads in private yards.

Exhibit G is a tabulation of large seagoing or inland waters merchant vessels under construction or on order as of June 1, 1953, together with percent representing unfinished work. The scheduled delivery dates are of particular importance, as they indicate the decreasing workload. There are 75 vessels under construction or on order, including certain vessels for domestic service, so that only 68 are for seagoing service. The schedule indicates 40 deliveries in 1953, 33 in 1954, and 2 in 1955. With a complete lack of recent or new orders, as previously brought out, and appropriate consideration of the time lags involved, even if orders should be forthcoming next year, the ultimate result must be obvious to everyone.

I might say, Mr. Chairman, since this was prepared, the council's July progress report has been issued, in the last day or two—we get one out every month—and we will be glad to give that to Mr. Drewry.

Senator POTTER. That will be made a part of the record at this point.

(The report referred to is as follows:)

*Large seagoing or inland waters merchant vessels under construction or on order as of July 1, 1953*

[1,000 gross tons and over]

| Name of plant | Name of vessel | Date of contract | Type of vessel | Length between perpendiculars | Beam (molded) | Loaded draft | Speed | Gross tons | Deadweight tons | Owner | Percent unfinished July 1, 1953 | Scheduled delivery date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | *Ft. In.* | *Feet* | *Ft. In.* | *Knots* | | | | | |
| American Ship Building, Lorain. | Hull No. 871 | May 1953 | Bulk ore carrier | 690 | 75 | 25 6 | 16 | 13,000 | 23,000 | National Steel Corp. | 100 | November 1954. |
| Bethlehem Steel Co., Quincy. | Nutmeg Mariner. | February 1951 | C-4 cargo | 528 | 76 | 29 9 | 20 | [1] 9,700 | 12,700 | Maritime Administration. | 6 | August 1953. |
| | Wolverine Mariner. | do | do | 528 | 76 | 29 9 | 20 | [1] 9,700 | 12,700 | do | 14 | October 1953. |
| | Andros Hills | July 1951 | Tanker | 615 | 84 | 33 0 | 16 | [1] 18,600 | 29,000 | Rio Venturado Compania, SA. | 7 | August 1953. |
| | Hull No. 1634 | December 1951 | do | 615 | 84 | 33 0 | 16 | [2] 18,600 | 29,000 | Oil Carriers Joint Venture. | 23 | September 1953. |
| | Hull No. 1635 | do | do | 615 | 84 | 33 0 | 16 | 18,600 | 29,000 | Bilbao Compania Naviera, SA. | 100 | July 1954. |
| | Hull No. 1636 | November 1951 | do | 615 | 84 | 33 0 | 16 | [2] 18,600 | 29,250 | Atlantic Oil Carriers, Ltd. | 40 | November 1953. |
| | Hull No. 1637 | do | do | 615 | 84 | 33 0 | 16 | [2] 18,600 | 29,250 | do | 53 | December 1953. |
| | Hull No. 1638 | February 1952 | do | 524 | 68 | 29 8 | 15½ | [2] 10,800 | 16,200 | Marine Chemical Transportation Co. | 57 | February 1954. |
| | Hull No. 1639 | do | do | 700 | 102 | 37 6 | 16¾ | [2] 30,000 | 45,000 | World Tankers Co., Inc. | 65 | March 1954. |
| | Hull No. 1643 | do | do | 615 | 84 | 33 0 | 16 | 18,600 | 29,000 | Afran Transport Co. | 100 | April 1954. |
| | Hull No. 1644 | July 1952 | do | 615 | 84 | 33 0 | 16½ | 18,600 | 29,000 | Reconquista Compania, Panama. | 100 | August 1954. |
| | Hull No. 1647 | do | do | 575 | 84 | 33 0 | 16¾ | 17,000 | 26,000 | Socony-Vacuum Oil Co. | 100 | October 1954. |
| Bethlehem Steel Co., Sparrows Point. | Gopher Mariner | February 1951 | C-4 cargo | 528 | 76 | 29 9 | 20 | [1] 9,700 | 12,700 | Maritime Administration. | 8 | September 1953. |
| | Show Me Mariner. | do | do | 528 | 76 | 29 9 | 20 | [1] 9,700 | 12,700 | do | 26 | November 1953. |
| | Sunflower Mariner. | do | do | 528 | 76 | 29 9 | 20 | [1] 9,700 | 12,700 | do | 40 | January 1954. |
| | Hull No. 4516 | May 1951 | Tanker | 575 | 78 | 32 0 | 16½ | [2] 15,360 | 23,000 | Sinclair Refining Co. | 24 | October 1953. |
| | Hull No. 4518 | January 1952 | do | 615 | 84 | 33 0 | 16½ | [2] 18,600 | 29,000 | Atlantic Oil Carriers. | 61 | February 1954. |
| | Hull No. 4519 | December 1951 | do | 615 | 84 | 33 0 | 16 | [2] 18,600 | 29,000 | Oil Carriers Joint Venture. | 36 | November 1953. |

See footnotes at end of table, p. 489.

*Large seagoing or inland waters merchant vessels under construction or on order as of July 1, 1953*—Continued

| Name of plant | Name of vessel | Date of contract | Type of vessel | Length between perpendiculars | Beam (molded) | Loaded draft | Speed | Gross tons | Deadweight tons | Owner | Percent unfinished July 1, 1953 | Scheduled delivery date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | *Ft. In.* | *Feet* | *Ft. In.* | *Knots* | | | | | |
| Bethlehem Steel Co., Sparrows Point. | Michael L | December 1951 | Tanker | 524 | 68 | 29 9 | 15 | [1] 12,000 | 17,800 | San Andres Compania Naviera, SA. | 21 | August 1953. |
| | Hull No. 4522 | do | do | 615 | 84 | 33 0 | 16 | [2] 18,600 | 29,000 | Bilbao Compania Naviera, SA. | 70 | April 1954. |
| | Hull No. 4524 | October 1951 | do | 524 | 68 | 29 9 | 15 | [2] 12,000 | 17,800 | Keystone Tankship Corp. | 53 | December 1953. |
| | Hull No. 4525 | March 1952 | do | 524 | 68 | 29 9 | 15 | [2] 12,000 | 17,860 | Pico Tanker Corp. | 70 | January 1954. |
| | Hull No. 4527 | January 1952 | do | 615 | 84 | 33 0 | 17 | 18,600 | 29,000 | Tankers Joint Venture. | 100 | May 1954. |
| | Hull No. 4528 | do | do | 615 | 84 | 33 0 | 17 | 18,600 | 29,000 | do | 100 | June 1954. |
| | Hull No. 4533 | November 1952 | do | 487 6 | 68 | 30 0 | 15¾ | 10,700 | 16,000 | Tide Water Associated Oil Co. | 100 | Do. |
| | Hull No. 4534 | August 1952 | do | 524 | 68 | 29 9 | 15 | 12,000 | 18,000 | Keystone Tankship Corp. | 100 | May 1954. |
| | Hull No. 4535 | November 1952 | do | 487 6 | 68 | 30 0 | 15¾ | 10,700 | 16,000 | Tide Water Associated Oil Co. | 100 | November 1954. |
| Bethlehem Pacific Coast Steel Corp., San Francisco Division. | Golden Mariner | July 1951 | C–4 cargo | 528 | 76 | 29 9 | 20 | [3] 9,700 | 12,700 | Maritime Administration. | 43 | December 1953. |
| | Hull No. 5464 | do | do | 528 | 76 | 29 9 | 20 | [3] 9,700 | 12,700 | do | 55 | February 1954. |
| | Hull No. 5465 | do | do | 528 | 76 | 29 9 | 20 | 9,700 | 12,700 | do | 67 | August 1954. |
| | Hull No. 5466 | do | do | 528 | 76 | 29 9 | 20 | 9,700 | 12,700 | do | 73 | September 1954. |
| | Hull No. 5467 | do | do | 528 | 76 | 29 9 | 20 | 9,700 | 12,700 | do | 78 | February 1955. |
| Defoe Shipbuilding | Richard M. Marshall. | May 1951 | Bulk ore carrier | 623 | 67 | 24 | | [1] 10,500 | 18,000 | Great Lakes Steamship Co. | 7 | July 1953. |
| Great Lakes Engineering Works. | William C. Ford | January 1951 | do | 629 | 70 | 24 6 | 16 | [1] 12,500 | 20,000 | Ford Motor Co | [1] 20 | August 1953. |
| Ingalls Shipbuilding Corp. | Magnolia Mariner | February 1951 | C–4 cargo | 528 | 76 | 29 9 | 20 | [1] 9,700 | 12,700 | Maritime Administration. | 1 | July 1953. |
| | Cotton Mariner | do | do | 528 | 76 | 29 9 | 20 | [1] 9,700 | 12,700 | do | 2 | August 1953. |
| | Pelican Mariner | do | do | 528 | 76 | 29 9 | 20 | [2] 9,700 | 12,700 | do | 31 | February 1954. |
| | Peninsula Mariner. | do | do | 528 | 76 | 29 9 | 20 | [2] 9,700 | 12,700 | do | 34 | April 1954. |
| Manitowoc Shipbuilding Co. | John J. Boland | December 1950 | Self-unloader | 627 | 72 | 25 | 16 | [1] 12,500 | 17,000 | American Steamship Co. | 9 | July 1953. |
| Moore Drydock Co. | Hull No. 418 | September 1952 | do | 580 | 72 | 25 6 | 16 | 12,000 | 16,000 | do | 88 | June 1954. |
| | Hull No. 308 | May 1953 | Passenger-auto ferry. | 240 | 46 | 11 6 | 15 | 1,385 | | San Diego & Coronado Ferry Co. | 100 | February 1954. |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Newport News Shipbuilding & Dry Dock Co. | Volunteer Mariner. | February 1951 | C–4 cargo | 528 | 76 | 29 9 | 20 | [1] 9,700 | 12,700 | Maritime Administration. | 2 | July 1953.[3] |
| | Palmetto Mariner. | do | do | 528 | 76 | 29 9 | 20 | [1] 9,700 | 12,700 | do | 19 | Do.[3] |
| | Hull No. 494 | do | do | 528 | 76 | 29 9 | 20 | 9,700 | 12,700 | do | 54 | December 1953. |
| | New York | April 1951 | Tanker | 558 | 75 | 31 0 | 18 | [1] 11,950 | 18,075 | The Texas Co. | 12 | July 1953. |
| | Hull No. 497 | do | do | 558 | 75 | 31 0 | 18 | [2] 11,950 | 18,075 | do | 40 | October 1953. |
| | Hull No. 498 | do | do | 558 | 75 | 31 0 | 18 | 11,950 | 18,075 | do | 53 | December 1953. |
| | Hull No. 503 | May 1951 | do | 600 | 82 6 | 31 6 | 16 | [4] 17,000 | 26,000 | Esso Shipping Co. | 27 | September 1953. |
| | Hull No. 504 | do | do | 600 | 82 6 | 31 6 | 16 | 17,000 | 26,000 | do | 44 | November 1953. |
| | Hull No. 508 | June 1952 | do | 600 | 82 6 | 31 6 | 16 | 17,000 | 26,000 | Tide Water Associated Oil Co. | 85 | March 1954. |
| | Hull No. 509 | do | do | 600 | 82 6 | 31 6 | 16 | 17,000 | 26,000 | do | 92 | June 1954. |
| | Hull No. 510 | November 1952 | do | 677 | 93 | 36 6 | 17½ | 23,400 | 38,000 | Grand Bassa Tankers, Inc. | 92 | Do. |
| | Hull No. 511 | do | do | 677 | 93 | 36 6 | 17½ | 23,400 | 38,000 | do | 95 | July 1954. |
| | Hull No. 512 | do | do | 677 | 93 | 36 6 | 17½ | 23,400 | 38,000 | do | 99 | September 1954. |
| | Hull No. 513 | do | do | 677 | 93 | 36 6 | 17½ | 23,400 | 38,000 | do | 99 | December 1954. |
| New York Shipbuilding. | Garden Mariner | June 1951 | C–4 cargo | 528 | 76 | 29 9 | 20 | [1] 9,700 | 12,700 | Maritime Administration. | 9 | July 1953.[3] |
| | Diamond Mariner. | do | do | 528 | 76 | 29 9 | 20 | [1] 9,700 | 12,700 | do | 11 | July 1953.[3] |
| | Empire State Mariner. | do | do | 528 | 76 | 29 9 | 20 | [2] 9,700 | 12,700 | do | 26 | October 1953.[3] |
| | Prairie Mariner | do | do | 528 | 76 | 29 9 | 20 | [2] 9,700 | 12,700 | do | 49 | July 1954. |
| | Silver Mariner | do | do | 528 | 76 | 29 9 | 20 | [2] 9,700 | 12,700 | do | 56 | August 1954. |
| Sun Shipbuilding & Dry Dock Co. | Hoosier Mariner. | February 1951 | do | 528 | 76 | 29 9 | 20 | [1] 9,700 | 12,700 | do | 3 | August 1953. |
| | Badger Mariner | do | do | 528 | 76 | 29 9 | 20 | [2] 9,700 | 12,700 | do | 27 | October 1953. |
| | Hawkeye Mariner. | do | do | 528 | 76 | 29 9 | 20 | [2] 9,700 | 12,700 | do | 60 | December 1953. |
| | Hull No. 592 | November 1951 | Tanker | 593 | 68 | 30 11 | 15 | [2] 10,300 | 16,300 | Standard Oil Co. of California. | 35 | September 1953. |
| | Hull No. 593 | January 1952 | do | 615 | 84 | 34 | 16½ | 19,000 | 30,000 | Sun Oil Co. | 100 | June 1954. |
| | Hull No. 594 | do | do | 615 | 84 | 34 | 16½ | 19,000 | 30,000 | do | 100 | July 1954. |
| | Hull No. 595 | March 1952 | do | 565 | 82 6 | 32 6 | 16½ | [4] 16,300 | 24,000 | Socony-Vacuum Oil Co. | 90 | January 1954. |
| | Hull No. 596 | May 1952 | do | 615 | 84 | 34 | 16½ | [2] 19,000 | 30,000 | South Atlantic Marine, S.A. | 88 | December 1953. |
| | Hull No. 597 | August 1952 | do | 615 | 84 | 34 | 16½ | [2] 19,000 | 30,000 | Southern Chartering Co. | 85 | April 1954. |
| Todd Shipyards Corp., Houston Division. | Chicago Socony | February 1952 | do | 300 | 43 3 | 19 3 | ..... | [1] 1,780 | 3,600 | Socony-Vacuum Oil Co. | 5 | July 1953. |

[1] Launched.
[2] Keel laid.
[3] Estimated by Shipbuilders Council of America.
[4] Delivery uncertain.

NOTE.—Total: 71 vessels of 971,955 gross tons and 1,448,385 dead-weight tons; coastal vessels: 66 vessels of 911,455 gross tons and 1,354,385 dead-weight tons; Great Lakes vessels: 5 vessels of 60,500 gross tons and 94,000 dead-weight tons. Of the 71 vessels under contract, 18 have been launched and 27 are on the ways.



36174—53—pt. 1——32

| | Vessels to be delivered in— | | | | Vessels to be delivered in— | | |
|---|---|---|---|---|---|---|---|
| | 1953 | 1954 | 1955 | | 1953 | 1954 | 1955 |
| January | ..... | 3 | ..... | August | 6 | 3 | ..... |
| February | ..... | 5 | 1 | September | 4 | 2 | ..... |
| March | ..... | 2 | ..... | October | 5 | 1 | ..... |
| April | ..... | 4 | ..... | November | 4 | 2 | ..... |
| May | ..... | 2 | ..... | December | 7 | 1 | ..... |
| June | ..... | 6 | ..... | | | | |
| July | 9 | 4 | ..... | Total | 35 | 35 | 1 |

*Number of vessels and percent unfinished July 1, 1953*

| Vessels (71): | *Percentage of completion* | Vessels (71)—Continued | *Percentage of completion* |
|---|---|---|---|
| 11 | 0- 10 | 8 | 51- 60 |
| 5 | 11- 20 | 5 | 61- 70 |
| 7 | 21- 30 | 2 | 71- 80 |
| 7 | 31- 40 | 5 | 81- 90 |
| 3 | 41- 50 | 18 | 91-100 |

*Classes of vessels*

| | Number of vessels | Gross tons | Deadweight tons |
|---|---|---|---|
| Cargo | 25 | 242, 500 | 317, 500 |
| Ore carrier | 5 | 60, 500 | 94, 000 |
| Tanker | 40 | 667, 570 | 1, 036, 885 |
| Passenger-auto ferry | 1 | 1, 385 | (1) |
| Total | 71 | 971, 955 | 1, 448, 385 |

[1] Not available.

Source: Shipbuilders Council of America, New York 6, N. Y.

*Vessels reported launched since progress report of June 1, 1953*

| Name | Date | Type | Gross tonnage | Dead-weight tonnage | Owner | Yard |
|---|---|---|---|---|---|---|
| Andros Hills | June 16 | Tanker | 18,600 | 29,000 | Rio Venturado Compania, SA | Bethlehem Steel, Quincy. |
| Show Me Mariner | June 18 | C-4 cargo | 9,700 | 12,700 | Maritime Administration | Bethlehem Steel, Sparrows Point. |
| Michael L | June 5 | Tanker | 12,000 | 17,800 | San Andres Compania Naviera, SA | Do. |
| Palmetto Mariner | June 30 | C-4 cargo | 9,700 | 12,700 | Maritime Administration | Newport News Shipbuilding Co. |
| New York | June 2 | Tanker | 11,950 | 18,075 | The Texas Co | Do. |

*Vessels reported delivered since progress report of June 1, 1953*

| Name | Date | Type | Gross tonnage | Dead-weight tonnage | Owner | Yard |
|---|---|---|---|---|---|---|
| Armco | June 5 | Bulk ore carrier | 12,500 | 20,000 | Columbia Transportation Co | American Shipbuilding, Lorain. |
| Andros Sea | June 26 | Tanker | 18,600 | 29,000 | Santander Compania Naviera, SA | Bethlehem Steel, Sparrows Point. |
| Keytanker | June 12 | do | 12,000 | 17,800 | Keystone Tankship Corp | Do. |
| New Jersey Sun | June 30 | do | 19,000 | 30,000 | Sun Oil Co | Sun Shipbuilding and Dry Dock. |

NOTE.—No new contracts have been reported since progress report of June 1, 1953.

Source: Shipbuilders Council of America, New York 6, N. Y.

Mr. SANFORD. Exhibit H is a tabulation of naval combatant and large auxiliary vessels under construction or on order in private yards. The scheduled delivery dates indicate 14 deliveries in 1953, 13 in 1954, 7 in 1955 and 2 in 1946, so that what naval construction there is in private yards stretches out over a somewhat longer period, as may be expected. Even so, the workload for 1955 is very light. The present percentages of completion of these vessels is restricted and hence is not shown.

Exhibit I is a tabulation of the naval combatant and larger auxiliary vessels under conversion in private yards. This tabulation is of interest merely to show the somewhat limited volume of this type of work in private yards.

Earlier in this statement, it was pointed out that the expenditure of $200 million annually by the Government on a pay-as-you-go basis over the years not only would have curtailed the war shipbuilding programs of the two World Wars, thus saving some billions of dollars now a part of our national debt, the annual interest on which becomes part of the national budget, but we would have been much better prepared initially, with the probability of a war of shorter duration. The measure of that saving is beyond estimation.

If it be assumed that private industry would have expended a like annual amount on replacements and additions, as a joint venture with the Government, and, if it be further assumed that the average cost, at today's price level of the vessels that now might be involved in a replacement program, is in the order of $8 million each, the result would be some 50 vessels per annum (based on a $400 million total expenditure). Such a program is substantially the annual program contemplated by the Maritime Commission prior to World War II as far as the number of vessels is concerned.

A program of 50 ships per year, when spread over available shipyards would provide a reasonable level of activity and should allow for replacement of tonnage at an appropriate annual rate to offset obsolescence. At present 40 merchant ships are scheduled for delivery this year by American shipyards and 33 next year.

Fifty ships a year of the type used as a measuring stick, would involve a minimum of 50 million man-hours per year, depending upon what other types of ships might be included in the total, which would be the approximate equivalent of 25,000 men on a single shift, 5-day week basis.

To this figure would have to be added any employment on naval construction in private shipyards which might raise that figure to 35,000 men.

In its presentation to the President's Advisory Committee on the Merchant Marine in 1947, the Council conservatively estimated the minimum employment on new ship construction necessary to preserve an essential level of specialized knowledge and skills at between 35,000 and 40,000 men. Estimates from other sources ran much higher, up to 100,000 men by the CIO.

Average employment for the quarter ending March 31, 1953, on new construction in the principal shipyards of the United States,

based on returns to the Council, including both naval and merchant contracts, was 57,807. Returns for the quarter ending June 30, 1953, are not yet available.

By September 30 of this year the indications are that shipyard employment on new construction, both merchant and naval, will have passed the peak, to which it has been building up since the middle of 1950, will commence to fall off at a rapid rate.

I think that was shown on that chart that I showed you awhile ago.

By June 30, 1954, the end of the fiscal year 1954, and a date before which any legislation in the next Congress looking toward a long-range shipbuilding program could hardly be expected to become effective, employment on new construction will probably have fallen from 12,000 to 15,000 men. By the end of the year, it will probably have fallen off another 10,000 men, and, by June 30, 1955, another 10,000.

It appears to be a reasonable prediction that, without additional new orders for ships, of which there now appears to be little prospect in the foreseeable future, employment in the industry on new ship construction will have fallen off to possibly 20,000 men by the end of 1955, mostly in naval construction concentrated on the comparatively few private yards specializing in the construction of the large naval vessels. Yards handling merchant work only would probably be manned only with skeleton organizations including maintenance forces.

It has previously been pointed out herein, that the authorization of any ship-construction program in the next session of the Congress cannot be expected to produce much in the way of actual shipyard activity before the beginning of 1955, so that the downward trend of employment is not likely to be arrested as a result of such a program before the middle or latter part of that year and a normal sequence of operations, and the level and distribution of employment appropriate thereto, will not be fully realized until the beginning of 1956.

This may sound unreasonable, but it took us 3 years to build up to our present employment. There is ample capacity in the presently existing private shipbuilding yards to handle such a program, together with whatever naval construction work may develop. Only in the event of a shipbuilding program of wartime proportions would it be necessary to reactivate the yards now held in reserve—both maritime and naval—or, beyond that, if such a program seems to justify it, to construction of additional yards. Even though some old-line shipbuilding capacity that was available during the war has been lost since the war by the closing down of several major yards, the remaining capacity is ample to serve as the necessary nucleus for any expansion that some day might be required. The problem is not one of capacity, but one of a program to utilize existing capacity.

There has been much loose talk of mass production of ships during wartime. There never has been mass production of ships, and it is most unlikely that there ever will be. There was multiple production of similar ships in various emergency shipyards during the late war.

Such multiple production of the same type of ship in a single yard permitted repetitive processes and extensive prefabrication in quantity, ultimately resulting in lower unit costs and decreased man-hours and decreased time of construction per unit than would otherwise be possible.

But at best, such a procedure is a far cry from mass production as we know that term industrially in this country. Mass production involves the use of the production line with the techniques associated therewith, and its successful application is contingent upon several factors. First, there must be an extensive market to absorb the product or products in great volume and consistently, and, second, there must be a continuous and adequate flow of all the items required to assemble and complete the product or products. Any interruption in that supply line is fatal.

Ship construction does not lend itself to this procedure for many reasons, namely, the market does not exist in sufficient volume to justify it, the product is very large and heavy, and hence, for seagoing ships at least, it is not practical to move it on a production line, it takes a long time to construct, part ashore and part afloat, it is relatively very expensive, the various components are many in number, some of them most complicated, and a relatively great amount of specially skilled labor, both hand and machine, is required. Shipbuilding, as a matter of fact, is somewhat of a unique industry, unlike any other industry, involving special facilities, special tools, special skills, and a know-how that can be acquired nowhere else except in a shipyard.

I mention this matter of mass production because of the generally erroneous conception of its application to shipbuilding. We can do again what we have done before, and perhaps better than it was done before, but there will be no mass production of large vessels.

The shipbuilding and ship-repairing yards and their allied industries have a vital stake in the future of the American merchant marine. If this country maintains a strong, healthy, and adequate merchant marine, which it can do only through the means of a consistent and continuing replacement program, the shipbuilding yards can take care of themselves. They ask no special dispensation, merely the opportunity to compete for the new merchant ships which are indispensable to the national welfare and the national security. That work coupled with such naval construction as there may be in the way of capital ships, should keep them going at a reasonable level. The allied marine industries will likewise participate in such a program and thus keep their facilities and organizations intact and reasonably prosperous. The ship-repair yards will have the opportunity to service an adequate merchant marine, supplemented by such Government repair and conversion work, particularly naval, as they are given an opportunity to compete for.

Both shipbuilding yards and repair yards naturally will endeavor to supplement their respective workloads by obtaining whatever foreign-flag work may be available. However, the future does not hold much promise for foreign-flag work, particularly ship construction. In the past few years, the proportion of foreign-flag ship construction under way in American yards has been unusually heavy. That has been due to several factors. There has been a worldwide demand for tanker tonnage. Foreign shipyards have been congested with work,

with backlogs of orders covering deliveries up to, in many cases, 1956, and with schedules delayed on account of material and equipment shortages. Foreign owners eager for tonnage were willing to pay American prices to obtain early deliveries which they could not get elsewhere.

As a matter of fact, foreign orders have been largely instrumental in keeping American shipbuilding yards going in recent years. The workload has consisted of those orders, plus some domestic tanker orders, and the Maritime Administration's Mariner program. Chart 24, submitted to this committee by the Maritime Administration, graphically illustrates the impact of foreign orders on the overall shipyard workload. That is assuming that some program was inaugurated.

Senator POTTER. I assume the foreign shipyards are also expanding their shipbuilding facilities, are they not?

Mr. SANFORD. To the extent they can afford to do so. They foresee a day of reckoning and they cannot afford to go too far on that expansion, because orders are slackening up worldwide.

Senator POTTER. Do you plan that these foreign orders will continue to be a factor in the American——

Mr. SANFORD. No; I do not think so. I am just coming to that.

Shipyards in this country have been handicapped, however, in obtaining orders for foreign-flag ships, and could have obtained more orders than they actually did had it not been for such handicaps. There is no present justification for their existence.

In brief, the situation is as follows: The Shipping Act of 1916, as amended by the act of July 15, 1918, provides that when the United States is at war or when the President has declared a national emergency, it is unlawful to contract for a vessel to be constructed in the United States for foreign account without first obtaining the approval of the Maritime Administration. That approval is contingent upon the assumption of certain obligations by the buyer, most of them onerous, which foreign owners naturally are reluctant to assume. In addition the lapse of time usually required to ultimately obtain the necessary approval, even if the buyer agrees to accept the obligations imposed upon him, has been so great that, in certain cases, the negotiations for a contract have been terminated by the prospective buyers in disgust and the orders placed elsewhere, outside the United States.

There is ample justification for the limitation imposed by the statute in case of war or real national emergency, possibly even when there is an acute shortage of material such as we have had in the recent past, particularly if all available material is required for vessels under order for American-flag account.

However, no such situation exists at present nor has existed for the past year, but, nevertheless, the President's emergency proclamation of December 16, 1950, which is still in effect, automatically keeps in operation restrictions on ship construction for foreign account, irrespective of the fact that orders for ship construction, and particularly for foreign-flag ship construction, are urgently needed by the shipyards.

In view of this situation, the council has drafted a proposed joint resolution to terminate the effectiveness of section 4 of the act of July 15, 1918. This resolution would operate to terminate the present application of the national emergency, insofar as restrictions

on foreign-flag ship construction in this country are concerned. It does not affect the statute itself which will again be available in the event of the occurrence of the contingency provided for therein.

The language of the draft of the proposed joint resolution is attached hereto as exhibit J together with a detailed explanation of all the circumstances involved (exhibit K) which I shall not attempt to read to this committee. I do, however, commend this proposed joint resolution to the committee and trust that you will give it the consideration to which we believe it is entitled, and, if you think well of it, take the necessary steps to have it introduced and acted upon.

Mr. DREWRY. Have you discussed this proposed resolution with the Department of Commerce?

Mr. SANFORD. I have not.

Mr. DREWRY. Do you have any idea as to their feelings on the matter?

Mr. SANFORD. I do not think they would have any objection, but that is an assumption on my part. I would want to talk with them before I could tell you exactly.

Senator POTTER. I assure you, Mr. Sanford, we will take that under advisement. I personally would be very sympathetic to a resolution of that kind, or anything that would help the shipyards take up the slack particularly now with no orders on deck, until possibly we can get a long-range shipbuilding program under way.

Mr. SANFORD. You see, it only goes to a temporary situation. There is nothing in the way of permanent legislation at all.

Mr. DREWRY. That is what I had in mind.

Mr. SANFORD. I would be very happy to discuss it with Maritime. I am going down there today or tomorrow. I would be happy to talk to Mr. Rothschild about it and the other commissioners, also Francis Greene.

Mr. DREWRY. It takes time to get a report from the Department of Commerce.

Mr. SANFORD. Yes, I know.

Restrictions on foreign business are not applied to other types of industries in the United States. Why should the shipbuilding industry be saddled with them in normal times, particularly in times when it needs the work in order to exist? If there were a Government shipbuilding program requiring all the available capacity of the shipyards, the situation might be somewhat different. No protest would have been filed had such been the case.

Mr. DREWRY. Mr. Sanford, on the question of the needs for American shipbuilding, wouldn't whatever controlled materials plan that was in effect have served sufficiently to see that the priority went to American construction rather than foreign, irrespective of this 1918 statute?

Mr. SANFORD. I do not believe it would necessarily have gone quite that far. That would have been one way of having a control. There is no question about it. Of course, the NPA did have the power to say that either you get it or you do not get it.

Mr. DREWRY. I would think its policy would be directed toward American construction.

Mr. SANFORD. Our plan in NPA was to get materials for American-flag shipping, let alone foreign-flag ships.

The passage of such a resolution now may be somewhat like locking the barn after the horse is stolen, as the damage has already been done. However, the justification is sound, and it should be done. Conditions may change.

However, at the moment, future prospects for foreign orders are somewhat bleak. The world demand for tonnage is slackening off and there have been cancellations of existing orders, both here and abroad. As the workload eases up in foreign shipyards, particularly now that Italian, German, and Japanese shipyards are back in the picture, foreign owners will be most reluctant to pay American prices if they can secure reasonable deliveries elsewhere. So it appears that American shipbuilding yards in the future will have to rely almost altogether on American-flag operators or on the Federal Government for new ship-construction orders.

That fact merely highlights the necessity for a comprehensive, consistent, and continuing ship-replacement program if American shipyards are to survive and if the merchant marine itself is to survive. The survival of both is essential to the national economy and to the national security.

I hope that this statement proves to be of some help to this committee in its efforts to reach sound conclusions on the merchant marine and maritime industry as a whole.

Mr. Chairman, I ask that exhibits A through K be made a part of the record.

Senator POTTER. Without objection, they will be made a part of the record at this point.

(The exhibits referred to are as follows:)

LIST OF EXHIBITS

Exhibit A: Gross tons of steel self-propelled merchant ships delivered each year by private shipyards, by types, 1941–52.

Exhibit B: Table showing gross tonnage and number of steel self-propelled merchant vessels (by types of ships) built in the private shipyards of the United States and delivered in the years 1941–52 (includes only vessels of 2,000 gross tons and over).

Exhibit C: Displacement tons of steel naval vessels delivered each year by naval and private shipyards, 1941–52.

Exhibit D: Table showing the number and displacement tonnage of steel combatant and auxiliary naval vessels built in the shipyards of the United States and delivered in the years 1941–52 by geographical regions.

Exhibit E: Yearly average of employment in naval and private shipyards of the United States engaged in construction and repair of naval and merchant vessels.

Exhibit F: Quarterly average number of employees in the principal private coastal ship repair yards of the United States, 1939–53.

Exhibit G: Large seagoing or inland waters merchant vessels under construction or on order June 1, 1953, together with percent representing unfinished work (vessels 1,000 gross tons and over).

Exhibit H: Naval combatant and large auxiliary vessels under construction or on order in private yards, June 1, 1953.

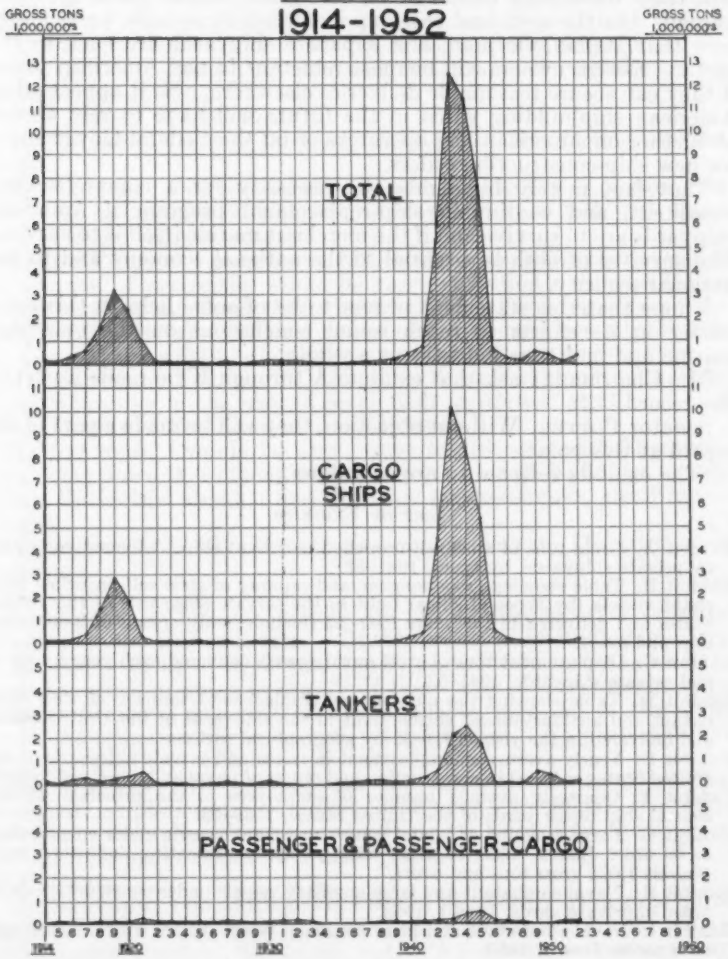
Exhibit I: Naval combatant and large auxiliary vessels under conversion in private yards, June 1, 1953.

Exhibit J: Proposed congressional joint resolution to terminate the application of section 4 of the act of July 15, 1918.

Exhibit K: Proposed explanation of necessity for the congressional joint resolution to terminate the application of section 4 of the act of July 15, 1918.

EXHIBIT A

# GROSS TONS OF STEEL SELF-PROPELLED MERCHANT SHIPS DELIVERED EACH YEAR BY PRIVATE SHIPYARDS BY TYPES 1914-1952



## EXHIBIT B

*Table showing gross tonnage and number of steel, self-propelled, merchant vessels, by types of ships, built in the private shipyards of the United States and delivered in the years indicated below*

[Includes only vessels of 2,000 gross tons and over]

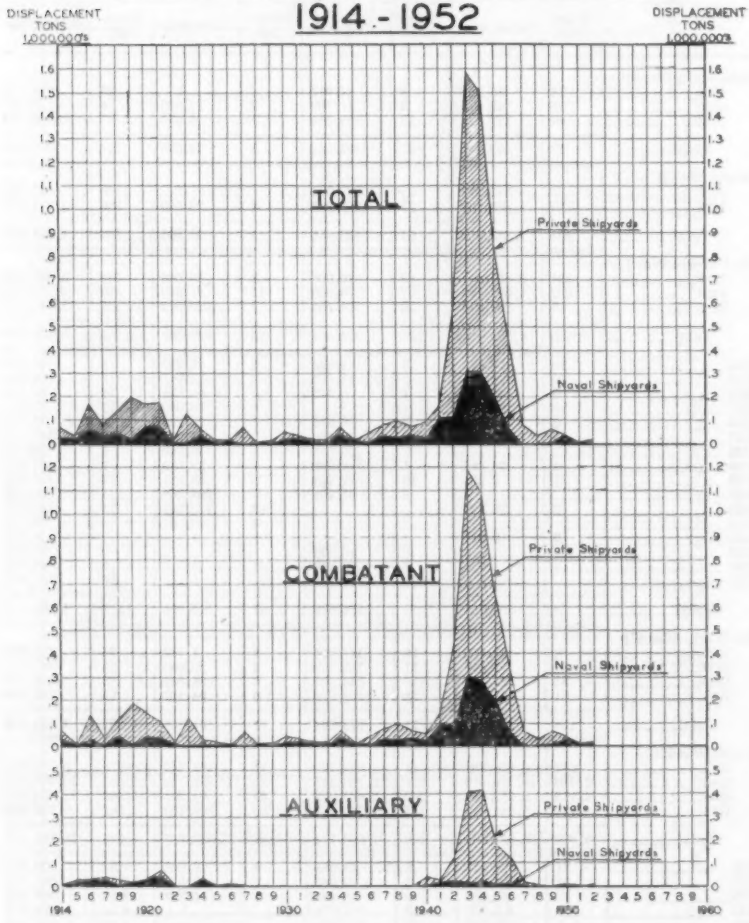
| Year | Cargo | | Tanker | | Passenger and passenger-cargo | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Number | Gross tons | Number | Gross tons | Number | Gross tons | Number | Gross tons |
| Pre-World War I: | | | | | | | | |
| 1914 | 16 | 85,542 | 8 | 44,917 | | | 24 | 130,459 |
| 1915 | 19 | 92,675 | 2 | 11,709 | 2 | 16,510 | 23 | 120,894 |
| 1916 | 43 | 187,529 | 23 | 155,896 | 1 | 6,063 | 67 | 349,488 |
| Total | 78 | 365,746 | 33 | 212,522 | 3 | 22,573 | 114 | 600,841 |
| World War I: | | | | | | | | |
| 1917 | 81 | 382,292 | 39 | 247,003 | | | 120 | 629,295 |
| 1918 | 355 | 1,465,520 | 27 | 182,852 | 4 | 23,590 | 386 | 1,671,962 |
| Total | 436 | 1,847,812 | 66 | 429,855 | 4 | 23,590 | 506 | 2,301,257 |
| Post-World War I: | | | | | | | | |
| 1919 | 634 | 2,894,641 | 43 | 279,098 | 3 | 16,549 | 680 | 3,190,288 |
| 1920 | 382 | 1,829,782 | 57 | 390,960 | 11 | 91,916 | 450 | 2,312,658 |
| 1921 | 49 | 269,030 | 70 | 554,595 | 19 | 214,072 | 138 | 1,037,697 |
| Total | 1,065 | 4,993,453 | 170 | 1,224,653 | 33 | 322,537 | 1,268 | 6,540,643 |
| 1922 | 10 | 78,442 | 5 | 44,073 | 3 | 41,293 | 18 | 163,808 |
| 1923 | 10 | 75,524 | 2 | 15,513 | 7 | 33,947 | 19 | 124,984 |
| 1924 | 5 | 41,232 | 1 | 6,546 | 6 | 35,824 | 12 | 83,602 |
| 1925 | 8 | 62,162 | | | 3 | 18,850 | 11 | 81,012 |
| 1926 | 2 | 16,302 | 1 | 8,952 | 5 | 28,789 | 8 | 54,043 |
| 1927 | 9 | 73,179 | 3 | 30,470 | 7 | 51,294 | 19 | 154,943 |
| 1928 | | | 2 | 20,630 | 3 | 44,190 | 5 | 64,820 |
| 1929 | 4 | 24,685 | 1 | 9,096 | 2 | 23,614 | 7 | 57,395 |
| 1930 | 1 | 7,964 | 10 | 92,933 | 5 | 50,311 | 16 | 151,208 |
| 1931 | | | 5 | 41,961 | 9 | 108,968 | 14 | 150,949 |
| 1932 | 2 | 16,122 | | | 13 | 129,348 | 15 | 145,470 |
| 1933 | | | | | 4 | 49,527 | 4 | 49,527 |
| 1934 | 2 | 9,544 | | | | | 2 | 9,544 |
| 1935 | | | 2 | 19,022 | | | 2 | 19,022 |
| 1936 | | | 8 | 63,428 | | | 8 | 63,428 |
| 1937 | | | 15 | 121,852 | | | 15 | 121,852 |
| Total | 53 | 405,156 | 55 | 474,496 | 67 | 615,955 | 175 | 1,495,607 |
| Pre-World War II: | | | | | | | | |
| 1938 | 8 | 43,476 | 16 | 137,930 | 2 | 4,252 | 26 | 185,658 |
| 1939 | 14 | 91,560 | 11 | 119,429 | 3 | 30,063 | 28 | 241,052 |
| 1940 | 31 | 227,275 | 16 | 148,509 | 6 | 68,943 | 53 | 444,727 |
| 1941 | 61 | 423,019 | 28 | 267,979 | 6 | 58,107 | 95 | 749,105 |
| Total | 114 | 785,330 | 71 | 673,847 | 17 | 161,365 | 202 | 1,620,542 |
| World War II: | | | | | | | | |
| 1942 | 652 | 4,678,988 | 61 | 612,121 | 11 | 101,844 | 724 | 5,392,953 |
| 1943 | 1,410 | 10,116,973 | 231 | 2,163,147 | 20 | 219,753 | 1,661 | 12,499,873 |
| 1944 | 1,175 | 8,457,190 | 240 | 2,485,923 | 48 | 461,291 | 1,463 | 11,404,404 |
| 1945 | 833 | 5,384,610 | 188 | 1,769,583 | 46 | 509,169 | 1,067 | 7,663,362 |
| Total | 4,070 | 28,637,761 | 720 | 7,030,774 | 125 | 1,292,057 | 4,915 | 36,960,592 |
| 1946 | 71 | 515,833 | 8 | 80,055 | 9 | 76,666 | [1] 88 | 672,554 |
| 1947 | 38 | 194,253 | 5 | 22,662 | 7 | 69,558 | [2] 50 | 286,473 |
| 1948 | 22 | 97,643 | 6 | 51,480 | 1 | 15,359 | [3] 29 | 164,482 |
| 1949 | 1 | [4] 3,100 | 33 | 535,773 | | | [4] 34 | 538,873 |
| 1950 | 3 | [5] 37,726 | 23 | 377,773 | | | [5] 26 | 415,499 |
| 1951 | 4 | 28,903 | 4 | 71,138 | 2 | 47,438 | 10 | 147,569 |
| 1952 | 19 | 176,529 | 8 | 127,341 | 4 | 93,286 | 31 | 397,156 |
| Total | 158 | 1,054,077 | 87 | 1,266,222 | 23 | 302,307 | 268 | 2,622,606 |
| 39 years | 5,974 | 38,089,335 | 1,202 | 11,312,369 | 272 | 2,740,384 | 7,448 | 52,142,088 |

[1] Includes 1 carfloat, 2 dredges, 1 small cargo and 1 small passenger vessel, 7,360 tons.
[2] Includes 8 dredges, 1 small cargo and 2 small tankers, 39,053 tons.
[3] Includes 4 small cargo vessels, 4,596 tons.
[4] Includes 1 dredge of 3,100 displacement tons.
[5] Includes 1 dredge of 21,572 displacement tons.

Source: Shipbuilders Council of America, New York 6, N. Y.

EXHIBIT C

# DISPLACEMENT TONS OF STEEL NAVAL VESSELS DELIVERED EACH YEAR BY NAVAL AND PRIVATE SHIPYARDS 1914 - 1952



## EXHIBIT D

*Table showing the number and displacement tonnage of steel combatant and auxiliary naval vessels built in the shipyards of the United States and delivered in the years indicated below by geographical regions*

| Year delivered | Built in private shipyards | | | | | | | | Built in navy yards | | | | | | Combined total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | East coast | | West coast | | Gulf and inland | | Total | | East coast | | West coast | | Total | | | |
| | Number | Tons | Number | Tons | Number | Tons | Number | Tons | Number | Tons | Number | Tons | Number | Tons | Number | Tons |
| 1914 | 13 | 37,103 | 3 | 1,176 | | | 16 | 38,279 | 1 | 27,000 | 2 | 408 | 3 | 27,408 | 19 | 65,687 |
| 1915 | 1 | 7,150 | 1 | 3,580 | | | 2 | 10,730 | 7 | 8,135 | 1 | 14,500 | 8 | 22,635 | 10 | 33,365 |
| 1916 | 19 | 100,405 | | | | | 19 | 100,405 | 1 | 31,400 | 2 | 29,000 | 3 | 60,400 | 22 | 160,805 |
| 1917 | 6 | 43,210 | 4 | 1,494 | | | 10 | 44,704 | 3 | 15,676 | 3 | 16,911 | 6 | 32,587 | 16 | 77,291 |
| 1918 | 57 | 75,193 | 19 | 15,950 | 1 | 3,850 | 77 | 94,993 | 3 | 33,707 | 12 | 8,902 | 15 | 42,609 | 92 | 137,602 |
| 1919 | 110 | 156,603 | 18 | 22,509 | | | 128 | 179,112 | 6 | 20,293 | | | 6 | 20,293 | 134 | 199,405 |
| 1920 | 55 | 69,823 | 26 | 32,796 | | | 81 | 102,619 | 10 | 56,288 | 1 | 11,058 | 11 | 67,346 | 92 | 169,965 |
| 1921 | 12 | 45,216 | 19 | 50,086 | | | 31 | 95,302 | 6 | 64,456 | 3 | 13,216 | 9 | 77,672 | 40 | 172,974 |
| 1922 | 6 | 5,826 | 1 | 854 | | | 7 | 6,680 | 1 | 876 | 3 | 3,924 | 4 | 4,800 | 11 | 11,480 |
| 1923 | 14 | 111,400 | 9 | 7,200 | | | 23 | 118,600 | 4 | 3,640 | | | 4 | 3,640 | 27 | 122,240 |
| 1924 | 9 | 25,950 | 1 | 800 | | | 10 | 26,750 | 3 | 23,200 | 1 | 10,000 | 4 | 33,200 | 14 | 59,950 |
| 1925 | 5 | 10,250 | | | | | 5 | 10,250 | 1 | 2,000 | | | 1 | 2,000 | 6 | 12,250 |
| 1926 | | | | | | | | | 1 | 2,000 | 1 | 10,600 | 2 | 12,600 | 2 | 12,600 |
| 1927 | 2 | 66,000 | | | | | 2 | 66,000 | | | | | | | 2 | 66,000 |
| 1928 | | | | | | | | | 1 | 2,710 | | | 1 | 2,710 | 1 | 2,710 |
| 1929 | 1 | 10,000 | | | | | 1 | 10,000 | | | | | | | 1 | 10,000 |
| 1930 | 3 | 30,000 | | | | | 3 | 30,000 | 2 | 12,750 | 1 | 2,730 | 3 | 15,480 | 6 | 45,480 |
| 1931 | 1 | 10,000 | | | | | 1 | 10,000 | | | 2 | 20,000 | 2 | 20,000 | 3 | 30,000 |
| 1932 | 1 | 10,000 | | | | | 1 | 10,000 | 1 | 1,540 | | | 1 | 1,540 | 2 | 11,540 |
| 1933 | 1 | 10,000 | | | | | 1 | 10,000 | 1 | 1,110 | | | 1 | 1,110 | 2 | 11,110 |
| 1934 | 5 | 27,900 | | | | | 5 | 27,900 | 2 | 20,000 | 2 | 20,000 | 4 | 40,000 | 9 | 67,900 |
| 1935 | | | | | | | | | 7 | 9,950 | 1 | 1,410 | 8 | 11,360 | 8 | 11,360 |
| 1936 | 17 | 35,920 | | | | | 17 | 35,920 | 2 | 4,000 | 3 | 4,430 | 5 | 8,430 | 22 | 44,350 |
| 1937 | 10 | 42,460 | | | | | 10 | 42,360 | 12 | 26,610 | 5 | 7,330 | 17 | 33,940 | 27 | 76,300 |
| 1938 | 11 | 69,900 | 2 | 3,000 | | | 13 | 72,900 | 6 | 25,800 | 1 | 1,450 | 7 | 27,250 | 20 | 100,150 |
| 1939 | 16 | 32,600 | | | | | 16 | 32,600 | 9 | 30,060 | 2 | 2,950 | 11 | 33,010 | 27 | 65,610 |
| 1940 | 16 | 68,205 | | | | | 16 | 68,205 | 14 | 21,060 | 1 | 1,630 | 15 | 22,690 | 31 | 90,895 |
| 1941 | 16 | 55,095 | | | | | 16 | 55,095 | 13 | 87,360 | 6 | 17,195 | 19 | 104,555 | 35 | 159,650 |
| 1942 | 75 | 310,015 | 24 | 116,585 | 5 | 9,925 | 104 | 436,525 | 32 | 89,985 | 9 | 21,540 | 41 | 111,525 | 145 | 548,050 |
| 1943 | 206 | 622,425 | 121 | 498,640 | 122 | 154,170 | 449 | 1,275,235 | 119 | 253,790 | 40 | 57,050 | 159 | 310,840 | 608 | 1,586,075 |
| 1944 | 175 | 527,050 | 124 | 476,076 | 157 | 239,306 | 456 | 1,202,432 | 67 | 267,050 | 17 | 34,805 | 84 | 301,855 | 540 | 1,504,287 |
| 1945 | 87 | 245,835 | 39 | 204,102 | 42 | 80,800 | 168 | 630,737 | 31 | 189,105 | 4 | 14,405 | 35 | 203,510 | 203 | 834,247 |
| 1946 | 52 | 246,586 | 15 | 93,758 | 11 | 35,800 | 78 | 376,144 | 7 | 68,480 | | | 7 | 68,480 | 85 | 444,624 |
| 1947 | 3 | 61,098 | 5 | 19,900 | | | 8 | 80,998 | | | | | | | 8 | 80,998 |

*Table showing the number of displacement tonnage of steel combatant and auxiliary naval vessels built in the shipyards of the United States and delivered in the years indicated below by geographical regions*—Continued

| Year delivered | Built in private shipyards | | | | | | | | Built in navy yards | | | | | | Combined total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | East coast | | West coast | | Gulf and inland | | Total | | East coast | | West coast | | Total | | | |
| | Number | Tons | Number | Tons | Number | Tons | Number | Tons | Number | Tons | Number | Tons | Number | Tons | Number | Tons |
| 1948 | 2 | 31,700 | | | | | 2 | 31,700 | | | | | | | 2 | 31,700 |
| 1949 | 7 | 58,400 | | | | | 7 | 58,400 | 2 | 3,095 | 1 | 1,525 | 3 | 4,620 | 10 | 63,020 |
| 1950 | | | | | | | | | 2 | 38,768 | | | 2 | 38,768 | 2 | 38,768 |
| 1951 | 1 | 765 | | | | | 1 | 765 | 2 | 1,675 | | | 2 | 1,675 | 3 | 2,440 |
| 1952 | 6 | 13,596 | | | | | 6 | 13,596 | 3 | 4,710 | 2 | 1,500 | 5 | 6,210 | 11 | 19,806 |
| Total | 1,021 | 3,373,579 | 431 | 1,508,506 | 358 | 523,851 | 1,750 | 5,405,936 | 382 | 1,448,259 | 126 | 328,469 | 508 | 1,776,728 | 2,298 | 7,182,664 |

Included in the above are the following categories: Battleships, aircraft carriers, cruisers, destroyers, destroyer escorts, frigates, high-speed transports (destroyer escort type) minelayers (destroyer type), gunboats, submarines, seaplane tenders, destroyer tenders, motor torpedo boat tenders, repair ships, aircraft carriers escorts, submarine tenders, submarine rescue vessels, minelayers, ammunition ships, oilers, fuel oil ships, store ships, transports, landing ship vehicle (formerly large net layers), miscellaneous auxiliary ships (ice breakers).

EXHIBIT E

EARLY AVERAGE OF EMPLOYMENT

EXHIBIT E

## YEARLY AVERAGE OF EMPLOYMENT IN NAVAL AND PRIVATE SHIPYARDS OF THE UNITED STATES ENGAGED IN CONSTRUCTION AND REPAIR OF NAVAL AND MERCHANT VESSELS

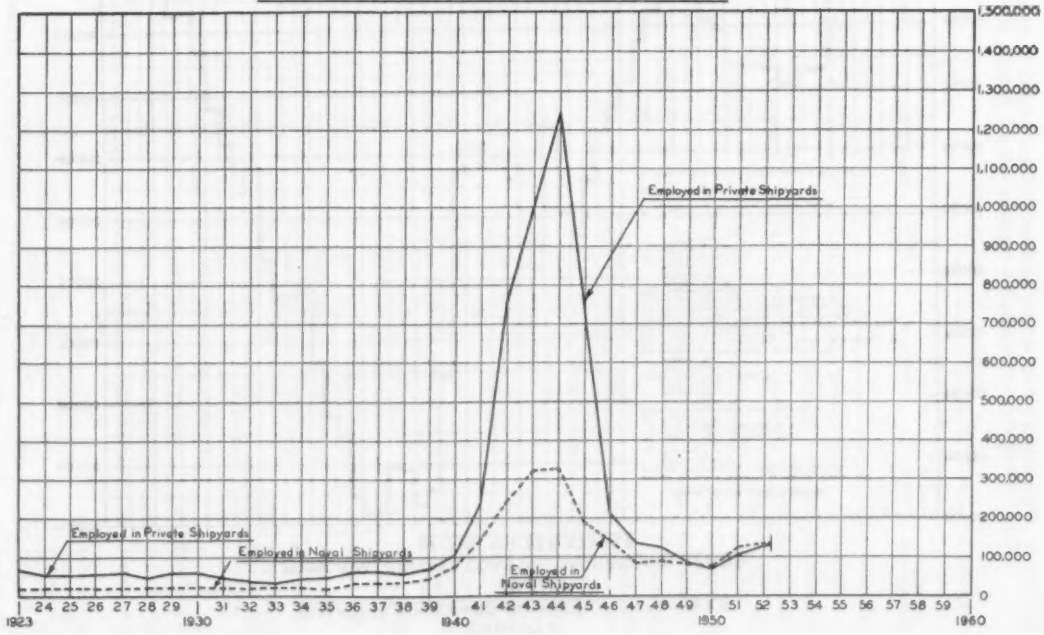
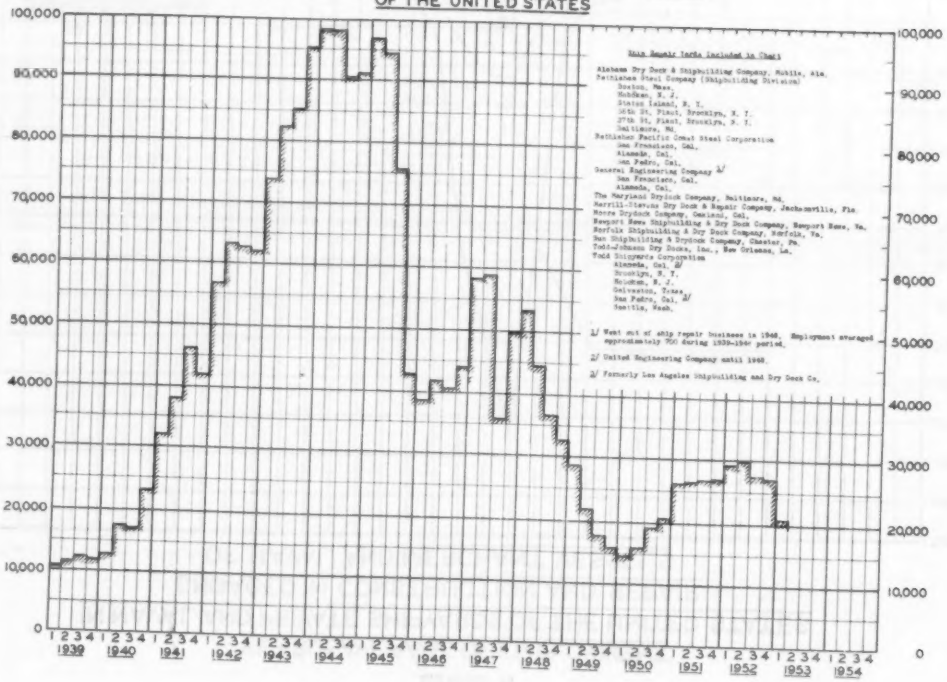


EXHIBIT F

## QUARTERLY AVERAGE NUMBER OF EMPLOYEES IN THE PRINCIPAL PRIVATE COASTAL SHIPREPAIR YARDS OF THE UNITED STATES



## EXHIBIT G

*Large seagoing or inland waters merchant vessels under construction or on order June 1, 1953, together with percent representing unfinished work*

[Vessels 1,000 gross tons and over]

| Name of plant | Type of vessel | Gross tons | Owner | Percent unfinished June 1, 1953 | Scheduled delivery date |
|---|---|---|---|---|---|
| American Ship Building, Lorain. | Bulk ore carrier | [1] 12,500 | Columbia Transport Co. | 1 | June 1953. |
| | do | 13,000 | National Steel Corp | 100 | November 1954. |
| Bethlehem Steel: Quincy | C-4 cargo | [1] 9,700 | Maritime Administration. | 9 | August 1953. |
| | do | [1] 9,700 | do | 19 | October 1953. |
| | Tanker | 18,600 | Rio Venturado Comp., SA. | 13 | August 1953. |
| | do | 18,600 | Oil Carriers Joint Venture. | 30 | September 1953. |
| | do | 18,600 | Bilbao Compania Nav., SA. | 100 | July 1954. |
| | do | 18,600 | Atlantic Oil Carriers, Ltd. | 51 | November 1953. |
| | do | 18,600 | do | 60 | December 1953. |
| | do | 10,800 | Marine Chemical Trans. Co. | 65 | February 1954. |
| | do | 30,000 | World Tankers Co., Inc. | 69 | March 1954. |
| | do | 18,600 | Afran Transport Co | 100 | April 1954. |
| | do | 18,600 | Reconquista Comp., Panama. | 100 | August 1954. |
| | do | 17,000 | Socony-Vacuum Oil Co. | 100 | January 1955. |
| Sparrows Point | C-4 cargo | [1] 9,700 | Maritime Administration. | 11 | September 1953. |
| | do | 9,700 | do | 29 | November 1953. |
| | do | 9,700 | do | 43 | January 1954. |
| | Tanker | 15,360 | Sinclair Refining Co | 37 | October 1953. |
| | do | [1] 18,600 | Santander Comp. Nav., SA. | 8 | June 1953. |
| | do | 18,600 | Atlantic Oil Carriers | 62 | February 1954. |
| | do | 18,600 | Oil Carriers Joint Venture. | 44 | November 1953. |
| | do | 12,000 | San Andres Comp. Nav., SA. | 38 | August 1953. |
| | do | 18,600 | Bilboa Compania Nav., SA. | 100 | April 1954. |
| | do | [1] 12,000 | Keystone Tankship Corp. | 5 | June 1953. |
| | do | 12,000 | do | 56 | December 1953. |
| | do | 12,000 | Pico Tanker Corp | 100 | January 1954. |
| | do | 18,600 | Tankers Joint Venture | 100 | May 1954. |
| | do | 18,600 | do | 100 | June 1954. |
| | do | 10,700 | Tide Water Assoc. Oil Co. | 100 | Do. |
| | do | 12,000 | Keystone Tankship Corp. | 100 | May 1954. |
| | do | 10,700 | Tide Water Assoc. Oil Co. | 100 | November 1954. |
| Bethlehem Pacific Coast Steel, San Francisco. | C-4 cargo | 9,700 | Maritime Administration. | 48 | December 1953. |
| | do | 9,700 | do | 59 | February 1954. |
| | do | 9,700 | do | 71 | August 1954. |
| | do | 9,700 | do | 75 | September 1954. |
| | do | 9,700 | do | 80 | February 1955. |
| Defoe Shipbuilding | Bulk ore carrier | [1] 10,500 | Great Lakes Steamship Co. | 15 | July 1953. |
| Great Lakes Engineering Works. | do | [1] 12,500 | Ford Motor Co | 25 | August 1953. |
| Ingalls Shipbuilding Corp. | C-4 cargo | [1] 9,700 | Maritime Administration. | 2 | June 1953. |
| | do | [1] 9,700 | do | 4 | Do. |
| | do | 9,700 | do | 33 | December 1953. |
| | do | 9,700 | do | 36 | February 1954. |

See footnotes at end of table, p. 506.

*Large seagoing or inland waters merchant vessels under construction or on order June 1, 1953, together with percent representing unfinished work*—Continued

[Vessels 1,000 gross tons and over]

| Name of plant | Type of vessel | Gross tons | Owner | Percent unfinished June 1, 1953 | Scheduled delivery date |
|---|---|---|---|---|---|
| Manitowoc Shipbuilding. | Self-unloader | [1] 12,500 | American Steamship Co. | 15 | June 1953. |
| | do | 12,000 | do | 90 | June 1954. |
| Moore Drydock | Passenger-auto ferry. | 1,385 | San Diego & Coronado Ferry. | 100 | February 1954. |
| Newport News Shipbuilding & Dry Dock Co. | C–4 cargo | [1] 9,700 | Maritime Administration. | 3 | June 1953. |
| | do | 9,700 | do | 23 | July 1953. |
| | do | 9,700 | do | 57 | December 1953. |
| | Tanker | 11,950 | The Texas Co | 25 | July 1953. |
| | do | 11,950 | do | 47 | October 1953. |
| | do | 11,950 | do | 59 | December 1953. |
| | do | 17,000 | Esso Shipping Co | 36 | September 1953. |
| | do | 17,000 | do | 50 | November 1953. |
| | do | 17,000 | Tide Water Assoc. Oil Co. | 91 | March 1954. |
| | do | 17,000 | do | 95 | June 1954. |
| | do | 23,400 | Grand Bassa Tankers, Inc. | 98 | Do. |
| | do | 23,400 | do | 99 | July 1954. |
| | do | 23,400 | do | 99 | September 1954. |
| | do | 23,400 | do | 99 | December 1954. |
| New York Shipbuilding Corp. | C–4 cargo | [1] 9,700 | Maritime Administration. | 9 | June 1953. |
| | do | [1] 9,700 | do | 15 | Do. |
| | do | 9,700 | do | 31 | October 1953. |
| | do | 9,700 | do | 51 | July 1954. |
| | do | 9,700 | do | 59 | August 1954. |
| Sun Shipbuilding & Dry Dock. | do | [1] 9,700 | do | 5 | August 1953. |
| | do | 9,700 | do | 32 | October 1953. |
| | do | 9,700 | do | 70 | December 1953. |
| | Tanker | [1] 19,000 | Sun Oil Co | 12 | June 1953. |
| | do | 10,300 | Standard Oil Company of California. | 50 | September 1953. |
| | do | 19,000 | Sun Oil Co | 100 | June 1954. |
| | do | 19,000 | do | 100 | July 1954. |
| | do | 16,300 | Socony-Vacuum Oil Co | 93 | January 1954. |
| | do | 19,000 | South Atlantic Marine, S.A. | 89 | December 1953. |
| | do | 19,000 | Southern Chartering Co | 88 | April 1954. |
| Todd Shipyards Corp., Houston. | do | [1] 1,760 | Socony-Vacuum Oil Co | 20 | June 1953. |

Total: 75 vessels of 1,034,055 gross tons of which 17 have been launched.

[1] Launched.

*Percentages of completion*

| Number of vessels (75): | *Percent unfinished June 1, 1953* | Number of vessels (75): | *Percent unfinished June 1, 1953* |
|---|---|---|---|
| 9 | 0– 10 | 8 | 51– 60 |
| 8 | 11– 20 | 4 | 61– 70 |
| 5 | 21– 30 | 3 | 71– 80 |
| 7 | 31– 40 | 3 | 81– 90 |
| 6 | 41– 50 | 22 | 91–100 |

*Schedule of deliveries*

| | 1953 | 1954 | 1955 | | 1953 | 1954 | 1955 |
|---|---|---|---|---|---|---|---|
| January | | 3 | 1 | August | 5 | 3 | |
| February | | 5 | 1 | September | 4 | 2 | |
| March | | 2 | | October | 5 | | |
| April | | 3 | | November | 4 | 2 | |
| May | | 2 | | December | 8 | 1 | |
| June | 11 | 6 | | | | | |
| July | 3 | 4 | | Total | 40 | 33 | 2 |

## EXHIBIT H

*Naval combatant and large auxiliary vessels under construction or on order in private yards June 1, 1953*

| Name of yard | Name and type of vessel | Displacement tons |
|---|---|---|
| Newport News Shipbuilding & Dry Dock | CVA 59 (*Forrestal*), attack aircraft carrier | 59,900 |
| Bath Iron Works Corp | DD 931, destroyer | 2,850 |
| | DD 932 | 2,850 |
| | DD 933 | 2,850 |
| | DE 1006 (*Dealey*), escort vessel | 1,420 |
| | DE 1014 | 1,420 |
| | DE 1015 | 1,420 |
| | DL 3 (*John S. McCain*), destroyer leader | [1] 3,700 |
| | LST 1158, landing ship, tank | [1] 2,410 |
| | LST 1159 | 2,410 |
| | LST 1160 | 2,410 |
| Bethlehem Steel Co., Quincy | DL 4 (*Willis A. Lee*), destroyer leader | [1] 3,700 |
| | DL 5 (*Wilkinson*) | [1] 3,700 |
| | AO 143, oiler, auxiliary | 11,600 |
| Christy Corp | LST 1166, landing ship, tank | [1] 2,410 |
| | LST 1167 | [1] 2,410 |
| | LST 1168 | 2,410 |
| | LST 1169 | 2,410 |
| | LST 1170 | 2,410 |
| General Dynamics Corp | SSN 571 (*Nautilus*), submarine, nuclear power | 3,020 |
| | SSN 575 (*Seawolf*) | 3,100 |
| | SST 1, submarine, target and training | 250 |
| | SST 2 | 250 |
| The Ingalls Shipbuilding Corp | AGB 4, icebreaker, auxiliary | 4,960 |
| | LSD 28, landing ship, dock | 6,500 |
| | LSD 29 | 6,500 |
| | LSD 30 | 6,500 |
| | LSD 31 | 6,500 |
| | LST 1162, landing ship, tank | [1] 2,410 |
| | LST 1163 | [1] 2,410 |
| | LST 1164 | [1] 2,410 |
| | LST 1165 | 2,410 |
| New York Shipbuilding Corp | AO 144, oiler, auxiliary | 11,600 |
| | AO 145 | 11,600 |
| | AO 146 | 11,600 |
| | AO 147 | 11,600 |
| | AO 148 | 11,600 |
| Puget Sound Bridge & Dredging Co | IFS 1 (*Carronade*), inshore fire support ship | [1] 1,200 |

[1] Launched.

Total, 38 vessels of 221,110 displacement tons, of which 10 have been launched.

NOMENCLATURE

CVA—Attack aircraft carrier.
DD—Destroyer.
DE—Escort vessel.
DL—Destroyer leader.
AO—Oiler, auxiliary.
SSN—Submarine, nuclear power.
SST—Submarine (target and training).
AGB—Icebreaker, auxiliary.
LST—Landing ship, tank.
LSD—Landing ship, dock.
IFS—Inshore fire support ship.

### *Percentage of completion*

| Number of vessels (38): | *Percent unfinished, June 1, 1953* |
|---|---|
| 3 | 0–10 |
| 2 | 11–20 |
| 2 | 21–30 |
| 1 | 31–40 |
| 4 | 41–50 |
| 4 | 51–60 |
| 2 | 61–70 |
| 6 | 71–80 |
| 2 | 81–90 |
| 12 | 91–100 |

### *Schedule of deliveries*

| | 1953 | 1954 | 1955 | 1956 | | 1953 | 1954 | 1955 | 1956 |
|---|---|---|---|---|---|---|---|---|---|
| January | | 1 | | | August | 3 | 2 | 1 | |
| February | | 1 | 1 | 1 | September | 3 | | | |
| March | | | 1 | | October | 2 | 2 | | |
| April | | 1 | 1 | | November | 4 | | 1 | |
| May | | 1 | 1 | 1 | December | 1 | 3 | | |
| June | 1 | 2 | | | | | | | |
| July | | | | | Total | 14 | 13 | 7 | 2 |

## Exhibit I

*Naval combatant and large auxiliary vessels under conversion in private yards, June 1, 1953*

| *Name of yard* | *Name and type of vessel* |
|---|---|
| Newport News Shipbuilding & Dry Dock Co. | CVA 11 (*Intrepid*), attack aircraft carrier. |
| | CAV 15 (*Randolph*). |
| General Dynamics Corp. | SS 365 (*Hardhead*), submarine. |
| | SSK 240 (*Angler*), antisubmarine, submarine. |
| | SSK 244 (*Cavalla*). |
| New York Shipbuilding Corp. | CAG 1 (*Boston*), heavy cruiser, guided missile. |
| | CAG 2 (*Canberra*). |

Total, 7 vessels.

## Exhibit J

### Proposed Congressional Joint Resolution

JOINT RESOLUTION To terminate the effectiveness of section 4 of the Act of July 15, 1918

*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled,* That in the interpretation of section 4 of the Act of July 15, 1918 (40 Stat. 901), as amended, the date when this joint resolution becomes effective shall be deemed to be the date of the termination of the national emergency proclaimed by the President on December 16, 1950.

Sec. 2. Nothing herein contained shall be held to exempt from prosecution or to relieve from punishment any offense heretofore committed in violation of any Act.

## Exhibit K

### Explanation of Joint Resolution Proposing to Terminate the Effectiveness of Section 4 of the Act of July 15, 1918, as Amended (Secs. 37 to 44, Shipping Act of 1916), Relating to Shipbuilding in the United States for Foreign Account During Periods of National Emergency

#### PURPOSE OF THE BILL

Section 4 of the act of July 15, 1918, as amended, which comprises sections 37 to 44 of the Shipping Act of 1916, declares, among other things, that, "when the United States is at war, or during any national emergency, the existence of which is declared by proclamation of the President," it is unlawful without first obtaining the approval of the Federal Maritime Administration to enter into any contract, agreement, or understanding to construct a vessel within the United States for or to be delivered to any person not a citizen of the United States, without expressly stipulating that such constructoin shall not begin until after the war or emergency proclaimed by the President has ended; to vest in foreigners a controlling interest in shipyards, etc., or to cause any vessel constructed in whole or in part within the United States, which has never cleared for any foreign port, to depart from a port of the United States before it has been documented under the laws of the United States.

The proposed resolution would have the effect of lapsing, as of the date of its enactment, the authority under this statute. However, the statute itself would be retained as a part of the permanent legislation of the United States, to be again available in the event of the occurrence of the contingency provided for therein.

It should be noted, however, that the resolution would not affect the operation of section 9 of the Shipping Act of 1916, which makes it "unlawful without the approval of the Federal Maritime Administration, to sell, mortgage, lease, charter, deliver, or in any manner transfer, or agree to sell, mortgage, lease, charter, deliver, or any manner transfer, to any person not a citizen of the United States, or transfer or place under foreign registry or flag, any vessel or any interest therein owned in whole or in part by a citizen of the United States and documented under the laws of the United States, or the last documentation of which was under the

laws of the United States." Such section 9, as amended, is not a war or emergency statute and it thus remains operative at all times, regardless of whether or not section 37 is or is not in effect.

STATEMENT

During the period 1914–17, prior to the entrance of the United States into World War I, an increasing deficit of world tonnage forced practically all nations having any merchant marine to forbid transfers of their vessels to foreign flags.

In this country, standby legislation to effect such a ban, to become operative "when the United States is at war, or during any national emergency declared by proclamation of the President," was enacted by Congress as section 9 of the act of September 7, 1916, the so-called Shipping Act of 1916.

A national emergency, such as was contemplated in the act, was subsequently declared to exist by proclamation of the President on February 5, 1917, and the prohibition on transfers to foreign flag was brought into effect.

Early in World War I, most foreign countries, including England, in addition to restricting the transfers of existing vessels by their nationals, also forbade their shipyards to build merchant vessels for foreigners until after the close of the war. The net result was that foreign-ship operators were driven to the United States as their principal market, so that by January 1917, of nearly 1,500,000 tons of merchant shipping on order in United States yards, over one-third was for foreign account.

This alarming situation, plus other abnormal conditions resulting from the entrance of the United States in the war, moved Congress to enact legislation conferring extraordinarily broad emergency powers on the President. In particular, by the emergency shipping provisions of the appropriation act approved June 5, 1917, the President was authorized to "require the owner or occupier of any plant in which ships or material are built or produced to place at the disposal of the United States the whole or any part of the output of such plant." This authority was then delegated to the United States Shipping Board by Executive order of the President on July 11, 1917.

Subsequently, the United States Shipping Board Emergency Fleet Corporation, on August 3, 1917, in accordance with a further delegation of authority from the Board of such emergency powers insofar as they related to ship construction, commandeered all steel ships under construction of over 2,500 tons dead-weight capacity.

On September 22, 1917, the Shipping Board, still operating under the emergency delegation of powers contained in the July 11, 1917, Executive order of the President, issued its first statement of policy covering the construction of vessels in American yards for private or foreign account, and laid down certain strict rules governing the issuance of permits to enter into such contracts.

Thus, almost from the first, in addition to its statutory power over transfers under section 9 of the Shipping Act, the World War I Shipping Board also exercised jurisdiction over the construction of vessels for foreign account. However, this latter authority was not on as firm statutory ground as the Board thought was desirable. So, after the Board had some experience in the administration of these controls, it requested Congress to amend the 1916 act to fill in the ommission.

It was as a result of this request that the July 15, 1918, amendments comprising sections 37 to 44 of the Shipping Act of 1916 were enacted providing for authority, to become effective only in time of national emergency, to restrict the construction in American shipyards of vessels for foreign account. Coincidental with this amendment as to new construction, Congress also revised section 9 of the 1916 act to make its power over the transfer of existing vessels a permanent function of the Board, and its successors, during time of peace, as well as during time of emergency.

Immediately following the armistice, the Shipping Board began to loosen up on its rules as to new construction, and some months later, on June 14, 1919, Board Chairman Hurley sent a letter to each yard in the United States advising that upon presentation to the Board, all contracts for the construction of steel ships for foreign account would be approved (Third Annual Report, Shipping Board, p. 17). Although section 37 theoretically remained in effect until President Harding signed the congressional joint resolution declaring peace with Germany and Austria on July 2, 1921, actually, for all practical purposes, the application of section 37 was terminated with respect to the World War I emergency by such June 14, 1919, letter of Chairman Hurley.

During the 20 years of peace following World War I, American shipyards remained free to build for foreign ownership without restriction.

The World War II period of application of section 37 began May 27, 1941, when the President proclaimed an unlimited national emergency. Again, a European war had been under way for some time. Again, as in 1917, the shipyards in the United States were clogged with business. Conditions were such as to make close control by the Government of available ship construction facilities necessary and proper.

The capitulation of Germany and Japan in 1945 was rapidly followed by tremendous cutbacks in the Government shipbuilding program. This quickly led to a condition where there was an ever-increasing amount of idle capacity for which use had to be found if the American shipyards were to remain in existence. Some recognition of the serious conditions was given by the Maritime Commission when in September 1945 it eased its regulations somewhat by granting a blanket exemption for all contracts to build for foreign account where the vessel was of less than 1,000 gross tons. However, the Commission retained control over contracts for larger vessels pending a presidential order revoking its authority.

Thereafter, when it became apparent that a considerable length of time would elapse before the emergency proclamation of the President of May 27, 1941, would be revoked, Congress stepped in and enacted special legislation lapsing the effectiveness of section 37. Thus, the termination of the World War II emergency control by the Maritime Commission over American shipyard production under section 37 of the Shipping Act of 1916 occurred July 25, 1947 (Public Law 239, 80th Cong.), even though the 1941 presidential emergency was not actually revoked until almost 5 years later, on April 28, 1952.

From July 1947, until the Korean emergency in 1950, American yards were again free to build for foreign ship operators without special restrictions. Ample evidence of the tremendous value of the 1947 action of Congress is seen in the unusual volume of contracts for construction for foreign account which were placed in American yards in that year and in 1948. Whereas, at the time the effectiveness of section 37 was lifted by Congress in 1947, there was an almost even distribution between the tonnage of vessels under way for foreign- and American-flag registry, a year later the volume under way for foreign-flag registry had increased sevenfold, while at the same time that for American-flag was practically unchanged.

Some 6 months after the outbreak of hostilities in Korea, President Truman's emergency proclamation of December 16, 1950, again brought into operation section 37 restrictions on ship construction for foreign account. However, unlike the two previous times that section 37 had been proclaimed in force—that is, World Wars I and II—the private shipyards, far from being filled with business, were instead in a period of only moderate activity The application of the regulations worked immediate hardship. Contracts were lost to foreign competitors and building for foreign account dropped off noticeably. Regardless of this situation, the Maritime Administration, although it is the agency presently vested by law with the function of aiding and encouraging American shipbuilding, rigidly applied the restrictions authorized by section 37 to discourage prospective foreigners from placing new ship construction contracts in this country.

Such contracts as have been approved by the Maritime Administration since December 1950 are understood to be subject to the conditions that, for a period beginning with the laying of the keel and ending 15 years from the date of completion and delivery of each vessel (1) there shall be no change in the controlling interest of the foreign corporation, nor in the ownership nor registry of the vessels, without prior approval of the Maritime Administration; (2) the vessels shall be made available to the United States, if requested, as though subject to section 902 of the Merchant Marine Act of 1936; and (3) the vessels shall not engage in operations prohibited to United States-flag vessels under Department of Commerce Transportation Orders T–1 or T–2, or any modification. To enforce these conditions, a bond in the sum of $250,000 is required for each vessel.

It is the power to impose such arbitrary requirements as these which would be terminated by the proposed resolution.

Obviously, such contract conditions make it almost impossible at the present time to interest foreign shipowners in having their vessels built in American shipyards and in view of the tremendous world production of ships since December 1950, it seems a fair statement to say that the Maritime Administration regulations under section 37 have been instrumental in preventing the construction in our yards of a considerable number of ships which otherwise might have been built here.

Congress has decided and confirmed in innumerable legislative enactments that it is in the national interest to preserve the private shipbuilding industry of the

United States in a state of efficiency and readiness as a part both of our economic structure and as an essential defense industry capable of rapid expansion in time of war. It is, therefore, important that the Congress be informed that the current and prospective workload in our shipyards is now at a point where the outlook is most disturbing.

At the present time, excluding naval vessels, contracts on hand in the large-vessel categories—these are the kinds most affected by section 37 restrictions—as of June 1, 1953, comprise a total of only 75 vessels of which it is estimated at least 40 will have been delivered by the end of this year. This includes the Government's Mariner cargo-type construction program. However, that program is rapidly nearing an end, and it is estimated that by December 31 of this year, only 4,000 men will be still engaged in the yards on these ships. Incidentally, it should be noted that unless Congress authorizes the Maritime Administration to grant some construction subsidies during the current fiscal year July 1, 1953 to June 30, 1954, it appears that by the fall of 1954, there will be only a few hundred men engaged on any Government-assisted ship construction in the United States.

Studies are currently under way both in Congress and in the executive branch to determine what steps can be taken to aid the continued efficiency and well-being of the American shipbuilding industry and to preserve the private shipbuilding yards in active operation as an important element in our mobilization and economic planning. However, these investigations appear mostly to be of a long-range nature, and although various suggestions have been advanced which have merit, none of the proposals to date seem to recognize that the prices in the industry is not years away, but just around the corner.

New shipbuilding contracts must be procured by the yards from some source very soon if they are to continue in operation. It has been over 8 months since any American shipyard has received any contract for an oceangoing vessel, a most alarming situation.

It may be that, even though section 37 is terminated, our yards may still be unable to obtain any new work for foreign account. There will remain many other disadvantages, such as price, to hurdle. However, the enactment of the proposed resolution would at least be one step that can and should be taken without delay so that our American shipyards can offer their facilities unhampered by such insurmountable restrictions as are presently being imposed by the Maritime Administration.

Senator POTTER. Mr. Sanford, I wish to say we have had some mighty fine statements presented to the committee, but without a doubt, this is the most learned, most comprehensive, informative statement that this committee has had the opportunity to hear.

You are to be congratulated for the work that has gone into this statement. If you do not object, I think it would be well to have your statement placed in the record. The more people who can get the picture as you have presented it, the more the program that you and I are both interested in will be benefited.

Mr. SANFORD. I appreciate your kind remarks. One of the purposes of this statement, as you may have noted, is educational. To be truly effective in that manner, the widest possible distribution is desirable, so that the education can spread out as far as possible.

Senator POTTER. In any of the speeches that I might make on the merchant marine, if you hear some familiar passages, I hope you will not be too hard on me.

Mr. SANFORD. I will be very happy to have you use anything you may want to use at any time.

Senator POTTER. Do you have any questions?

Mr. DREWRY. Every time I thought of a question, Mr. Sanford anticipated it.

Senator POTTER. I wish to thank you for taking the time to be with us. We will look into the resolution you have submitted. I sincerely hope through the efforts of the subcommittee—we are going to continue the work, at least, Mr. Drewry will, and I will be

with him part of the time while Congress is in recess—that certainly, by the beginning of the next year, we will know a lot more about it than we do today.

Mr. SANFORD. With all these contributions from various sources, that is more or less inevitable, of course.

I appreciate, in turn, Mr. Chairman, the opportunity to come here, and the opportunity to tell the subcommittee what little I can about the picture. It is a sort of general picture, so to speak, without getting too specific.

Senator POTTER. That was a very learned essay. Thank you, kindly.

Tomorrow we will hear from Mr. Brownlow, AFL, Metal Trades Union. The committee will be in recess until 10:30 tomorrow morning.

(Whereupon, at 12:17 p. m., the subcommittee recessed, to reconvene at 10:30 a. m., Wednesday, July 15, 1953.)

# MERCHANT MARINE STUDIES

**WEDNESDAY, JULY 15, 1953**

UNITED STATES SENATE,
SPECIAL SUBCOMMITTEE ON MARITIME SUBSIDIES OF THE
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
*Washington, D. C.*

The subcommittee met, pursuant to call, in room G–16, Capitol, at 10:45 a. m., Senator Charles E. Potter presiding.

Present: Senators Potter and Smathers.

Also present: Mr. John M. Drewry, special counsel to the subcommittee.

Senator POTTER. The subcommittee will come to order. We have as our first witness today Mr. James Brownlow, American Federation of Labor, president, Metal Trades Department. Mr. Brownlow, we are happy to have you here this morning. We are pleased to receive whatever comments you can give us concerning the study that is now under way as to the size and composition of the American merchant marine.

## STATEMENT OF JAMES A. BROWNLOW, PRESIDENT, METAL TRADES DEPARTMENT, AMERICAN FEDERATION OF LABOR

Mr. BROWNLOW. I am president of the Metal Trades Department of the American Federation of Labor, which department is composed of some 16 international unions, 2 cooperating international unions, whose membership in the aggregate runs well over 2 million. However, the part that we wish to discuss today does not affect, of course, that many, but does affect the members of those organizations that are actively engaged in shipbuilding or ship repair.

I do not say this in the form of an apology, because I presume you are somewhat tired of having long written statements. I did not bring a prepared statement, feeling that perhaps I could, with some excerpts from my own report to my convention, give a much more comprehensive, and a quicker one, by just talking rather off the cuff, as it were, rather than from a prepared statement.

Senator POTTER. That is perfectly all right.

Mr. BROWNLOW. I should, however, Mr. Chairman, like to read a few excerpts from my own report to the Metal Trades Department convention, which deals with the very problem which we are discussing here today:

> No industry in the United States has suffered to a greater extent, as a result of a fluctuating policy on the part of the Government, than this one.

And I am referring to the shipbuilding program and our merchant marine.

On two occasions, the period from 1916 to 1918, and 1941 to 1944, this industry experienced unprecedented booms. This increased activity took place on the three coasts and on the Great Lakes and inland waterways.

Existing shipyards were greatly expanded, and new ones were created. Simultaneous with development in the private shipbuilding industry, the navy yards of the Nation also increased to undreamed of capacities. During the highest peak, reached in 1944, in private and naval shipyards, there were upward of 1¾ million people employed.

Shortly thereafter, this great working force and their facilities were so curtailed that there were less than 150,000 employed in both private and naval shipyards.

Senator POTTER. How many was that?

Mr. BROWNLOW. In 1944 there were upward of 1¾ million, and that was reduced to less than 150,000.

Your President has emphatically stated on numerous occasions, both in hearings before congressional hearings, agencies of Government, civic associations, and others, that the United States must ever remain independent of any nation or group of nations in the carrying of her commerce during times of peace, and that national emergencies must never again find us dependent upon the ships of other countries to carry our troops and implements of war during periods of stress. Recent international developments have given us cause to reaffirm this position.

The Metal Trades Department has long advocated that the shipbuilding and ship-operating industry must be subsidized if it is to be able to compete with the merchant marines of other countries.

The standard of wages and living conditions of those shipbuilding and ship-operating employees in the United States is higher than that of competing countries. Our Nation must recognize this and be prepared to meet it.

Then, in conclusion, in this report to the convention, I had this to say:

The fact that the American merchant marine is all important to the future welfare of our Nation must be accepted both from the needs of our national economy and for national defense.

This report, Mr. Chairman, was accepted by my own convention and acted upon. As a result of it, a resolution was introduced and adopted by that convention, and then submitted to the convention of the American Federation of Labor, and concurred in by that convention.

I am not going to bore you with the reading of the whereases and so forths, but I think perhaps the resolve sets pretty much the thinking of the American Federation of Labor and the Metal Trades Department conventions relative to it.

*Resolved*, That we condemn as shortsighted any policy that would have the United States place its reliance upon the shipping, shipbuilding, or ship repair of other nations in time of danger and peril, and be it further recognized that there can be no dependency placed upon other nations to protect the United States in time of crisis; and further, that we must be self-sufficient in the carrying of our commerce; and be it further

*Resolved*, That the delegate of this department to the convention of the American Federation of Labor be instructed to introduce a resolution into that convention requesting the American Federation of Labor to reaffirm its consistent policy, and urge the Congress of the United States, and such other agencies of Government responsible, to implement our merchant marine; and further, that the declared policy of building, operating, and maintaining a strong merchant marine by private enterprise be encouraged and aided by the Government to the extent necessary to guarantee a merchant fleet sufficient in numbers, tonnage, and speed to adequately serve the needs of our domestic and foreign commerce and national security.

Senator POTTER. Was that passed by the American Federation of Labor?

Mr. BROWNLOW. Yes, submitted by myself as a delegate to the American Federation of Labor convention from the Metal Trades Department.

May we then just look at the situation that we find ourselves in at the present time. It is somewhat very similar, at the moment, to 1949 or early 1950, or just prior to the shipbuilding program of 1939 and 1940.

We have less than 1 million gross tons under construction. By January 1955, it is logical to assume that there will not be any, with the possible exception of the smaller vessels which are needed to maintain those which the Navy or the Government may have to——

Senator POTTER. How many major shipbuilding yards do we have?

Mr. BROWNLOW. One hundred and eighty-six at the present time.

Senator POTTER. Does that include repair yards as well?

Mr. BROWNLOW. Yes.

Senator SMATHERS. Civilian or military?

Mr. BROWNLOW. Civilian. There are 13 major military operations. Then, of course, if you were to include such operations as those at New London, Conn., and some of the others, that would increase.

There are 13, although actually 11 of what I would term "real major Navy ship operations." That is excluding, of course, San Diego, which is somewhat different than the usual shipbuilding yard.

Senator POTTER. How are they broken down on the east coast, west coast and Gulf?

Mr. BROWNLOW. You are talking, now, of the private yards?

Senator POTTER. Yes.

Mr. BROWNLOW. There are approximately 100 of the 186 on the Atlantic coast. About 30 of them are on the gulf coast, although there are no major yards on the gulf coast. There are about four major yards—I should say—on the gulf coast. The balance is on the Pacific coast, with the exception of a half dozen on the lakes, that are fully competent to build those large ore carriers, or for that matter, did build many commercial ships.

Senator POTTER. Like the Manitowoc?

Mr. BROWNLOW. Yes. I think you have one close to Detroit. I forget the name of that one. There is another over at Lorain, Ohio, which Walter Gerhauser used to run, and one at Buffalo. There is one around Chicago. All of these, of course, Senator, could be quickly enlarged and quickly developed. They must have work in them to keep their facilities going.

Senator POTTER. We had testimony yesterday from Mr. Sanford of the Shipbuilding Council that maritime shipbuilding labor was highly skilled labor, and that when you lose your labor force, it takes considerable time for the training of labor. I would like to ask you this question: Do you have an apprentice program of any kind?

Mr. BROWNLOW. That is right. The same apprentice program is applicable to maritime labor, to shipbuilding and ship-repair labor, as is applicable to the training of craftsmen in other industries.

I think perhaps this also should be said. In times of emergency—on two occasions which we have witnessed during our lifetime—they have put special programs into effect for special trainees, and what we

would term "specialists." They are not overall mechanics. They are quickly trained to perform one function, such as, perhaps, welding. They are not overall mechanics. It is the overall mechanic that we are distressed about at the present time. When you mention the skills, it does not take long for them, I would say, to become not only disillusioned, but they leave the area in which their homes are, and they move to some other place. They do not see any future at all ahead of them as far as shipbuilding and ship repair goes. I am talking about the normal areas where shipbuilding and ship repair is carried on.

Senator SMATHERS. How many people do you normally have employed at these 186 yards?

Mr. BROWNLOW. There are about 128,000 at the present time.

Senator SMATHERS. If more work was given to these yards, how much could that jump up to? Of course, I am assuming this would be short of war.

Mr. BROWNLOW. May I put it another way in replying to you, that if the present status were maintained, you would continue 128,000, but unfortunately, the work is well over the halfway completion mark. There were some 29, as I remember, Mariner vessels which the Maritime Administration was authorized to construct. That is now about halfway completed. When that is completed, it means that this 128,000 will just go to one-half of what it is at the present time.

Then, as the tankers go off the ways and are completed, it just means they go down, and all we will have left are a few refrigeration ships and tugs, which are necessary to take care of our harbors.

Senator SMATHERS. Mostly repair work after this?

Mr. BROWNLOW. Yes. Repair is a very, very uncertain thing. Unless there is some degree of permanence or equal flow into the yards, it is difficult for the yards to obtain men for a week's work, or something of that sort, for repair purposes. Lots of times it raises the cost excessively, because of that difficulty.

Senator SMATHERS. Are these men mostly all organized who work there?

Mr. BROWNLOW. Yes.

Senator SMATHERS. They are in the AFL?

Mr. BROWNLOW. I would say that more than half are in the AFL, the other half being, or slightly less than that, in the CIO. The preponderance, Senator, is, if it is of any particular interest to you, as follows: The Pacific coast is practically all AFL. I think there is only one yard of any consequence at all out there which is CIO. The gulf is the same, with the exception of a yard at Mobile and one at New Orleans, while the North Atlantic is predominantly CIO. The South Atlantic is AFL, with Norfolk, Va.; being independent. They have an independent union down there.

Mr. DREWRY. Norfolk or Newport News?

Mr. BROWNLOW. It is Newport News. I term it Norfolk.

Senator POTTER. What is the minimum hourly wage for a mechanic?

Mr. BROWNLOW. It varies some. The AFL yards do not work on an incentive system. There is an outright hourly rate. On the Pacific coast, today, with the last increases that were negotiated, it would run to $2.22 per hour. On the Atlantic coast, it is generally around $2, with some incentives thrown in. I should not say "generally," but it is on the average today. The gulf is about the same.

I think there will be negotiations on the Atlantic coast and gulf coast. The Pacific coast usually starts its negotiations earlier than the other group. The average hourly rate for shipbuilding workers, which is startling, is much less than it is in any other industry in the United States, that is, in the broad sense.

Navy-yard rates are approximately the same as private-shipyard rates with, of course, the Navy-yard employee receiving the benefits of the so-called retirement acts and other things that go with public employment. That is with the exception of the Pacific coast. The Pacific coast rates are higher.

Senator SMATHERS. Are the 128,000 men employed an average, in your estimation, as to about what we should have here in the United States?

Mr. BROWNLOW. I think it would be a grave mistake if we were to have any less.

Senator SMATHERS. You think this is about the minimum average?

Mr. BROWNLOW. That is what I would say.

Senator SMATHERS. How many contracts for ships would it take to keep 128,000 men employed for the balance of this year and next year? What would it mean as far as new ships, looking over for the moment the repair program?

Mr. BROWNLOW. I would say that if a continuing program of 70 ships were kept on the ways, you could maintain an employment level of about that kind, with the increased repair that we would have, and also with the normal construction of tankers, and so forth there, that would have nothing whatever to do with Government activity; in other words, what private companies would find it necessary to build, and also your ore carriers, and so forth, on the Great Lakes.

Senator POTTER. I think we have had testimony that if you want to combat this block obsolescence which faces us here in the near future, if we had a shipbuilding program of 50 ships per year, for replacement, that would partially solve the obsolescence problem.

If that were done, I would assume that would just about, considering a certain amount of foreign ships that you construct, and others, keep your labor force that you mentioned pretty well occupied, would it not?

Mr. BROWNLOW. I would say so. When I mentioned the 70 vessels, I took into consideration, as I said, those that the steel companies may build, the ore companies, the oil companies, the tankers, and then you always have for your harbor work, and that sort of thing, some building going on.

So, with 50 new ones, taking care of obsolescence, which I suppose testimony has been to the effect of all the way from 20 to 25 years, that should maintain a force of that size.

Senator SMATHERS. Let me make this comment, and then ask you this question. I am not on this subcommittee, but Senator Potter lets me sit in on it now and then because I have a lot of shipbuilding in my State.

I have heard it said, whether correctly or incorrectly, that the reason is so little shipbuilding going on here in the United States is because they can get it done so much cheaper in the yards in Japan, Sweden, and other places, that the high standard of wages, high standard of living, which we have generally here is actually driving the shipbuilding industry to other countries of the world.

I would like to have your comment on that.

Mr. BROWNLOW. I do not think it can be denied but what our wages are higher than they are in any of the other countries of the world, starting with Britain, and the rates generally going down from there.

However, I also must call to the committee's attention that neither do they have the standard of living which we so proudly boast of, which we are so proud of, but there is another part, the operation. It is not only the building, but the operation.

We have, as you know, regulations providing for conditions under which our sailors work and operate. Those conditions are much better than those on foreign ships. So there is a difference in cost.

Senator POTTER. And it is more costly to construct with those provisions?

Mr. BROWNLOW. That is right. We do do this. We can compete with a much lesser rate, bear in mind, than we have, but not one as low as is paid in some of these other countries.

Senator SMATHERS. What I am trying to get at, and to get your thoughts on, is what is the answer, recognizing that when people live in the United States, not only do they get more per hour, but they probably pay considerably more for the things that they eat, we are accustomed to better medical attention and, possibly, better recreation, that we are accustomed to having more, and we want to encourage them in that, but what is the answer? Is there an answer as to how we can still have this shipbuilding in the United States and still have the prevailing wage rates and the prevailing operation as to cost; how can we do that without ultimately driving all this business into what is a cheaper market?

Mr. BROWNLOW. Of course, we can do it, Senator, by additional subsidies. That is perhaps the only sound way that it can be done.

I think it would be unfair, certainly, to ask the shipbuilding operators or shipbuilding companies to forego any profits of operation any more than any other enterprise in the United States. At the same time, if we are going to expect—there is one other comment I want to make, also—that we are going to have a merchant marine that is compatible with general American standards, that is, those who built it and those who operate it, then we must expect, like any other industry, to pay for it.

There is this other thing which I think is generally overlooked a great deal.

We have wasted on two different occasions, as I said before, from 1916 on through that period, and also again from 1940 to 1945, a sufficient amount of money which would more than make up for that difference in cost by having a firm program rather than a spasmodic one or one we have to depend upon or put into effect almost overnight. The costs become excessive when you have to do that.

Senator SMATHERS. See if this is an accurate repetition of what you have said, in my words. What you are saying is that if we are to maintain our high standards of living and the wage scales and operation that we have become accustomed to, the Federal Government must continue to subsidize the building of merchant marine vessels, that while it is considered to be expensive, it will be less expensive if the Federal Government would embark upon a firm, long-range program, rather than to cut it completely out of 1 year and then wait, and

5 years later have to subsidize it, which means the rebuilding of shipways and the training of new men, and so forth, all of which runs into excessive expense?

Mr. BROWNLOW. By all means, I agree with you. Certainly, no one has ever seen a more terrible-looking sight than a shipyard which has been deserted, and then a more expensive operation then to see that same shipyard rehabilitated at some other time.

Senator POTTER. Did we not experience, during the past two World Wars, that feast and famine shipbuilding experience, whereby during the emergency, during the war, we spent millions of dollars, and billions of dollars, in an effort to rebuild an industry which we had let go by the board, and that a good deal of that money could have been saved, and would have been saved, if we had a firm, solid industry continued right on through?

Mr. BROWNLOW. I agree with you, Senator. I wish to make also, along those lines, another observation. It exhibits a sort of short-sighted policy on our own part, that while we have been sort of letting the clock go on without doing anything about our merchant marine, other nations have been keeping pace with new developments.

The first gesture that we have made at all since the end of the war, or even before the war—during the war period there was no sort of speed, there was no sort of quick turnaround, and that sort of thing; we just built the easiest ship that we could build, and, of course, they thought that some trips would be made from the vessels, but if one was made, it was all right—but the Mariners were the first attempt that we have made in over 15 years to build a vessel which could compete with foreign vessels in speed, turnaround, facility and ability to carry commerce in an economical way.

Senator SMATHERS. Let me ask you another sort of theoretical question. I know you are not up here to theorize any more than the rest of us. You are familiar with the fact that this Government has certain tariff programs. For example, in the southern part of our State of Florida, we have a tariff on tomatoes which are brought in from Cuba and outlying islands, because the wage rate we pay in south Florida, of necessity, has to exceed almost by 100 percent what they pay over there. So we put a tariff on those tomatoes that are brought in.

Do you think it would be practical, or do you think it would be at all worth considering, whether or not some practical program could be worked out whereby, in effect, a ship that is built for the United States, or to be subsequently sold to some United States owner, there could be some sort of a tariff on that ship? The purpose would be, of course, to try to protect our yards here at home and try to channel, insofar as practical, as much building into the shipyards here at home, rather than to have them continue to be built around the country.

The only savings, of course, would be, rather than a subsidy, that you would put a penalty, so to speak, on those that are built outside, and the Federal Government might be relieved of paying the subsidy. I do not know whether it is practical. I would like to have your comments on it.

Mr. BROWNLOW. Frankly, I do not know. I have my own definite opinions, of course, as to tariffs, and also as to the development of our foreign commerce. I think the day is gone that we can expect to sort of keep ourselves just confined to our coastal activities. I think

the future, of course, of our merchant marine depends on the commerce of South America, and also of the Asiatic countries, that particularly, probably more so than the European.

Consequently, I would question that a tariff on vessels entering United States ports would not——

Senator SMATHERS. This is a tariff on ships. I am not saying this very well. I do not mean a tariff every time they came in, but on the ships that had been built there would be some building tariff, not the fact that when it came into port it would be taxed, not that at all. I think many of them are built for United States operators, and they carry commerce, of course, across the ocean.

What I am trying to say is that a tariff would be put on the actual building of the ship if it were to operate anywhere in the United States, in any port. Would that be practical or would it not? I do not know, and I doubt if you know.

Mr. BROWNLOW. I would have to give it more thought, Senator.

Senator SMATHERS. What I am thinking about is this: Certainly Senator Potter knows that when we had this recent appropriation bill, the bill where they wanted $4 million to complete some ships over here in Baltimore, the charge was immediately made of boondoggling, subsidy, and all that.

When you come out and say that the Federal Government is going to have to subsidize this program so that we can still have some ships built here in the United States, and yet the owner does not have to pay the full amount of the cost of the building of the ship here, that he would probably pay the difference of what it would cost him to build it in Japan, that he would pay that cost, and the Government would make up the difference, somebody will come along and say that this is a sort of Brannan plan for the merchant marine.

Brannan, as I get it, said, "We will produce fruits and vegetables and farm products and let the people on the street buy them for whatever they will bring. The price will be set in the market place. The difference in what it costs the farmer to produce them, and what he gets, whichever is lower, the Government will make it up." That was the so-called Brannan plan.

The subsidy here might well be termed a Brannan plan for the merchant marine, which would be a bad thing to have put on it. It would make it awfully hard for Senator Potter to get such a program through. What I am thinking about, is there any alternative?

Mr. BROWNLOW. Frankly, I would have to give it much more consideration than just our open discussion here, other than to say that I fail to see where you would gain anything.

No. 1, you are primarily interested in developing a merchant marine that will be able to compete with the merchant marines of other countries. To do that, we also have to preserve American standards, both as to the sailors and the employer who builds the ship. We have to take into consideration whether the ship is going to be operated for profit by the people who are operating it.

Consequently, any tariff, or anything we may put onto it would be added to the general initial cost or the operating cost, so we pay for it, even though we may take it in through the other door. That would be my quick opinion of the tariff proposal.

Senator POTTER. I think probably one of the difficulties, as Senator Smathers has pointed out, is that there has been a misunderstanding,

or misapprehension, by many people concerning the principle and purposes of the so-called subsidy program. I think the term "subsidies" has a bad connotation in the very beginning.

I think you first have to point this out, and Congress has so stated in its Merchant Marine Act of 1936, and also in the declaration of policy in the Ship Sales Act of 1946, that it is in the national interest to have a strong merchant marine, for two purposes: one for commerce and the other for national defense.

That is the only formula we have at the present time. Whether that formula is correct or not is something that has to be determined by looking at the results. They have developed two types of subsidy programs. One is the construction subsidy, which allows our people to purchase ships on a parity with the construction of ships in foreign yards.

As far as the tariff is concerned, in some trades, I think possibly you would still have American operators investing their capital in those ships for certain specific trades. However, I doubt very much if you would ever have a passenger vessel constructed on such a basis, because it is an expensive ship to construct. It is not a trade which would warrant it.

I think possibly in some trades, even with a so-called tariff, that would work. Your subsidy program, in essence, is a tariff in reverse. While one is a tariff on the operator, the other is a tariff actually by the Government.

As to the operating subsidy program, I think you have some interesting facets. You have your so-called mail subsidy with your airlines. You have many others, the railroads, practically any mode of transportation today is being subsidized in one way or another, either by Government regulation to keep out competitors, whatever it may be, but there is a great deal of protective interest by the Government in their operation.

It is quite interesting to note, and a fact that has not been brought out in most of our debates, George, as to our operating subsidies, we have a recapture clause. It does not guarantee an operator a profit. Over practically two-thirds of the amount of money that we have put into an operating subsidy program has been recaptured by the Government.

Senator SMATHERS. I venture to say that of all the misunderstood programs, the maritime subsidy is one of the most misunderstood.

Senator POTTER. It certainly is. That is one of the purposes of the study we now have under way, that even with our subsidy program, our merchant marine is facing some very serious problems to maintain itself. I hope as a result of the study that we are conducting now, that if there are bugs in our subsidy program, we can pick them out. If there is another formula that is better, we certainly want to look into that.

One of the main things is to finally, I hope, through the form that we have here, bring about a better understanding of the program that now exists.

Mr. BROWNLOW. I wonder if I might emphasize again, and perhaps I have put this rather poorly, that where we have made our initial mistake was by permitting complete godown or deterioration of our entire merchant marine before we did anything about it. Consequently, we needed that much more money than normally would be

needed to keep it at an even keel or a sustained level. That is the unfortunate thing that has happened. I think that is one of the unfortunate things that has directed attention, and mistakenly so, of our people and, incidentally, of Congress in many instances, to this so-called subsidy.

The name, as you have suggested, Senator, is a bad one. Had we been able to keep a sustained merchant marine, without having it flare up to a point where it became a national matter for the construction of vessels and the operating of vessels, there would not be, I do not think, much opposition to a program.

But just think for a moment—I do not want to burden you with this—when we let a merchant marine go to practically where we had nothing and had to start from scratch, as was the case last time, as you know, what happens? Thousands and thousands of people are moved into a community. You had a great deal of that down in your State, Senator Smathers. You had some instances of it, Senator Potter, but not so much in shipping. Take cities like Portland, Oreg., Tacoma and Bellingham, Wash., where they had no preparation, and thousands of people moved into them. There were ships that were hastily constructed, ways were thrown up. The attention of the entire country was directed to it. Certainly, I guess, tremendous profits were made. It was a wartime operation, and a quick operation.

But how much better off we would have been if we had a nucleus of this thing without having to start right from the bottom and build up.

One of the greatest things that we are losing in this thing, that someone is losing sight of, is our manpower. After all, a trained shipbuilding worker is a trained mechanic in that particular line. If he gets away from it and goes into an automobile factory or an airplane factory, or somewhere else, his experience in shipbuilding and ship repair has to be freshened up again. He has to take the so-called refresher courses. He does not do it, of course. He jumps right in as a top mechanic right away and receives top wages. It is some time before he is able to produce at the same level that he would if he had not been away from it.

Senator POTTER. Mr. Brownlow, I have a policy committee meeting at 11:30. I am going to have to excuse myself. My good friend, Senator Smathers, will take over. Thank you, George.

I want to thank you for giving us the benefit of your views on this vast and complicated subject.

Mr. BROWNLOW. As a matter of fact, I am about through, unless Senator Smathers has questions. I have no further statement to make.

Senator POTTER. Whatever the Senator and counsel have to discuss with you, I will appreciate if you will give them your views.

Senator SMATHERS. Why do you not go ahead, Mr. Brownlow?

Mr. BROWNLOW. I was just looking over these notes I have here. As generally happens when one makes notes and when we get into a sort of discussion of the kind that we have had, you pretty much cover them, although there may not be any sequence to it.

I would like to mention the fact that the Mariners are better than half completed at the present time. I do not know whether private oil companies are going to expand or not, or whether they have

reached their maximum now. I think there are 44 tankers on the ways at the present time and 26 Mariners, some of them almost ready to be put over.

Senator SMATHERS. Does the building of pipelines materially lessen the need for tankers?

Mr. BROWNLOW. It does. As I understand it, our pipeline capacity to some areas is not sufficient to take care of it. That is one of the needs for tankers. Then, of course, the other is the tremendous import and transfer.

Senator SMATHERS. As between the Southwest and the East, the pipelines can take care of some of the industrial sections, but the outlying sections they cannot; is that right?

Mr. BROWNLOW. Then, again, you have this difficulty, Senator, where your pipeline might run into Philadelphia. It does not go into Bangor, Maine, or some other sections, which necessitates the use of tankers. It is a much more economical operation, as I understand it, than some of the other methods.

Senator SMATHERS. Is it much more economical to transport it in tankers than through pipelines?

Mr. BROWNLOW. It is more economical to transport it through the pipeline, but it is more economical to transport it by tanker than by some other means other than the pipelines.

Senator SMATHERS. When there is no pipeline, it is cheaper?

Mr. BROWNLOW. That is right; it is much more economical.

Mr. DREWRY. Is it your understanding that such decrease as there might have been in the domestic movement of petroleum and petroleum products in tankers has been more than offset by the great increase in importations from foreign sources?

Mr. BROWNLOW. That is right. We are importing more now, I am sure.

Senator SMATHERS. We are burning a lot more than we have ever burned before?

Mr. BROWNLOW. That is right.

Senator SMATHERS. There is every reason to think that this rate of expenditure of oil will continue to go up; will it not?

Mr. BROWNLOW. Yes. I do not know whether we are pipelining out of Tampico, Mexico, from those fields down there.

Senator SMATHERS. I do not know, but I do not think we are.

Mr. BROWNLOW. I question that we are. That stuff is coming out of there by way of tanker.

Senator SMATHERS. All the oil that we get from Venezuela, Persia, and all over the world, is coming out in tankers. In fact, there are more automobiles on the road. Trains are converting from coal to oil. Things like that would lead you to believe that the need for tankers would continue.

Mr. BROWNLOW. Yes. This is the most comprehensive program, as to tankers, at least, during my experience, that has been undertaken—the one that is going on at the present time.

Senator SMATHERS. One of the questions, when this subcommittee brings its report to the Senate, is going to be why does not the Army or Navy, whoever has all of these tankers in mothballs, release those and let them be used by private oil companies to transport oil? Do you have any comments to make on that?

Mr. BROWNLOW. Of course, the ways of the military, I guess, are determined on military need. I presume the reason that they—and it is only a presumption—are reluctant to do it is because they want their facilities available if they need them quickly.

Mr. DREWRY. Is it not a fact that there are no tankers in mothballs?

Mr. BROWNLOW. I do not know how many the military may have.

Mr. DREWRY. I think Admiral Wilson testified to that effect, that not only were there none laid up, but actually there was a serious shortage at the present time.

Mr. BROWNLOW. Here is also an interesting observation, inasmuch as you raised the tankers in military service. We are chartering our refrigeration vessels from foreign countries. Once again, I know nothing about the military aspects or military needs, but it seems to me to be the silliest thing conceivable for a nation like the United States to be chartering from a country like Denmark, or for that matter, any other country, refrigeration vessels when we are perfectly competent to build them, and most certainly we must be chartering them at a price which lends a profit to a government-supported operation such as the Danish Government.

Mr. DREWRY. That was also brought out in Admiral Wilson's testimony. That there was, I believe, 1 refrigerated vessel being chartered at the present time, and that the Navy has a program for the construction of 2. I do not believe the contracts have been granted. They are two large ones.

He also brought out that one of our deficiencies was in certain specialized vessels, namely, heavy-lift vessels, of which there are none under the American flag, heavy-lift being a special-type vessel.

Mr. BROWNLOW. I am not so sure that Infalls is not building one at the present time or contracting for one. But as to this refrigeration, that is true. I think there were two up for contract. I think the earliest that you could hope that those vessels would be available during a normal operation would be at least 1955—well into the middle of 1955.

It raises the question of whether we are going to continue rechartering and rechartering for 120 days at a time. I understand this charter runs—perhaps I had better not say that.

Mr. DREWRY. Right at that point, Senator Smathers was not here yesterday when Mr. Sanford testified, but Mr. Sanford brought out that although the shipyards at the present time are fairly well employed, it is over the peak; that there have been no new orders for merchant ships this year; that there is a time lag from the time the contract is granted until the time that the first steel can be ready, ranging from 6 months in the case of a small vessel, to 18 months in the case of a very large one.

So even if a ship were to be contracted for today, it would not do any good as far as employment in the shipyard is concerned, for anywhere up to a year and a half.

Mr. BROWNLOW. That is right. It requires the rolling of the steel, the shaping, the transportation of the steel, and other things that they do to it after they get the contract.

Mr. DREWRY. And a great deal of drafting work and engineering work, and that type of thing?

Mr. BROWNLOW. Yes. Even aside from the engineering, assuming that the engineering is complete at the time the bids are asked for,

or the contract is awarded, the company then obtaining the contract has to go ahead and contract for the rolling of the steel, and that sort of thing, which does take a lot of time.

It is something that cannot be done in a hurry. They are meeting it now with a few modern methods, by building in sections and fitting it in. But that comes after about a year and one-half has gone on, but not at the outset.

Mr. DREWRY. On the floor of the Senate recently, when the appropriation bill was up, there was a discussion of a program to start the construction of four new passenger vessels. The statement was made by one of the Members that American efficiency and labor methods are so superior to those elsewhere in the world, that notwithstanding the higher cost of American labor, there were certain American yards that would be able to produce ships strictly competitively with the foreigners.

I think, as a matter of fact, one particular yard was mentioned as being the most efficient yard in the country, and to let them try it for a year, that if they did not get the subsidy they would bring the prices in line. Can you comment on that a little bit?

Mr. BROWNLOW. Yes, I can. I would say that if tomorrow every one of these tankers that are now on the ways were awarded to one shipbuilding company, without any doubt, after the first half-dozen had been under way, American efficiency and mass production would take over and our costs would rapidly decrease.

We had that experience with those vessels for Brazil. However, where they are distributed on the basis of 1, or maybe 2 different shipyards around the country, it is pretty difficult to put mass-production ideas and practices into effect. It just is not there, because you only have the one.

This is an experience I had, and it was quite a serious one. We are again with Ingalls, down in your area, Senator Smathers. You know the Ingalls Co., of course. They operate out of Pascagoula. They contracted some years ago for 14 vessels for Brazil. Money was obtained through the Import-Export Bank. I went down there one time at the request of the president of the shipbuilding company. He said he did not feel they were getting value received from the men and, consequently, were unable to pay an increase which the men felt was coming to them.

The surprising thing was that the first vessel—and it is not surprising, either, when you think of it—had run over considerably of what the average of them were. I think he was then on about his sixth. They had reached the stage where they had at least six keels down. It had gone steadily down. I asked him, "When is it going to the other side?" He said, "It won't be long, now." I knew it would be the next ships and there would be the balance. Otherwise, they could not stay in operation. But by one vessel, you could not tell.

Senator SMATHERS. That also speaks well for the necessity of adopting a long-range program where even in a small shipyard, if that small shipyard knows it will have at least one vessel a year to build, it can probably build the vessel the second year cheaper than they could the first year, and so on.

Mr. BROWNLOW. By all means.

Senator SMATHERS. What results in that less-expensive vessel in many ways is working the bugs out of a big operation. When they

have one continuing after the other, and the men know their jobs and know what to do, and have it on a practical basis, all ships would be built at less expense.

Mr. BROWNLOW. And the man knows he is going to be working the next week or the next day.

Senator SMATHERS. To save some money, I would hate to see all the shipbuilding work funneled in 1 or 2 big shipyards, even though those shipyards might do it a little more economically, because I think if we had a firm program where—we obviously could not let the shipyards grow up every day, but those that are now in operation, give them some reason to believe they will be continuing in operation in the years to come, making the same-type vessels, and then they can run their cost of production doen considerably.

Mr. BROWNLOW. It goes without saying, we must maintain a balance on all three coasts, also our inland operations and our Great Lakes.

Mr. DREWRY. I have in mind, too, Mr. Brownlow, when you speak of this comparison, if you are going to relate it to a mass group, it would be related as American construction as against foreign, whether it is single-ship or multiple. Is the productivity of the American shipyard greater than the reasonably efficient foreign shipyard?

Mr. BROWNLOW. I do not have those percentages with me, but I could send them over to you, Mr. Drewry. They are very interesting.

We will produce more—I do not mean cheaper, because our wages are higher—per man-hour than any other group of shipbuilding workers in the world.

Senator SMATHERS. So the only way we can make any money is to have a continuing program going?

Mr. BROWNLOW. That is right.

Mr. DREWRY. And that greater productivity of the American worker, although he gets more money per man, would narrow the gap?

Mr. BROWNLOW. Very much so.

Mr. DREWRY. I think we would like to have that for the record.

Mr. BROWNLOW. I will submit it.

Senator SMATHERS. Without objection, it will be made a part of the record at this point.

(The material referred to is as follows:)

METAL TRADES DEPARTMENT,
AMERICAN FEDERATION OF LABOR,
*Washington 1, D. C., July 15, 1953.*

Mr. JOHN M. DREWRY,
*Special Counsel for Special Subcommittee on Maritime Subsidy,*
*Senate Office Building, Washington, D. C.*

DEAR MR. DREWRY: While testifying before the Subcommittee on Merchant Marine Subsidies this morning, I mentioned that American workmen outproduced those of any other country, or, put another way, that American workmen used less man-hours to build a vessel than those of any other nation.

I have examined the records in our office and wish to advise that the average number of man-hours used for the building of a ship by the workmen of other countries exceeds that of the United States workmen on an average of 18 percent.

Japan requires much more time; Britain, somewhat over the general average; while Sweden, less, but still far in excess of the time required by our workmen.

May I express to Senator Potter, through you, my personal thanks and those of the organization I represent for the courtesies extended to us at the hearing, and I sincerely trust that some means will be found whereby our American merchant marine will retain a place among the merchant marines of the nations of the world.

Very truly yours,

J. A. BROWNLOW, *President.*

Mr. DREWRY. What was the total number of shipbuilding and ship-repair workers at the peak of World War II?

Mr. BROWNLOW. About 1¾ million, of which a million were in private yards.

Mr. DREWRY. And at the present time, this 128,000 is in private yards only?

Mr. BROWNLOW. That is right.

Mr. DREWRY. At the present time, we have a little bit better than 10 percent of what the force was then?

Mr. BROWNLOW. I would say perhaps the figure is a little less than 10 percent, because this could have fluctuated 5,000 within the past month. As these ships start to become completed, the employment rapidly decreases.

Mr. DREWRY. The other day some reference was made by some witnesses to a rule of thumb which has been applied that a 10 percent shipbuilding labor force would provide an adequate nucleus—I never heard the expression before—but they said it had been bandied around and had lost all meaning. Do you know of any such cliche?

Mr. BROWNLOW. I do not recall the statement of 10 percent. I remember the hearings before the House committee. I forget which Congress it was, but Mr. Weichel was chairman at the time.

Mr. DREWRY. That was the 80th Congress.

Mr. BROWNLOW. About the same estimate that I have given here was given there. It was reasonably consistent both by the operators—that is, when I say the operators, I mean the shipbuilding companies—and by labor, that the nucleus ought to be at least in excess of 100,000, if we were going to maintain both a crew fit to train those if we needed them in an emergency, and then also to maintain the type of merchant marine at least which would be reasonably respectable in relation to the other countries.

I have never heard it put on the basis of 10 percent.

Mr. DREWRY. It was brought out in that testimony that the 10 percent was not a thing that could be applied across the board, that there were certain skills where, such as a mold loftsman, where it was essential to take so many years, I think 7 years, or some such figure as that, to train an efficient mold loftsman, you could not consider cutting your force down in that area to any more than 50 percent.

What we are concerned with here is the necessity of having an active nucleus shipbuilding force, because it is generally agreed that in time of war, irrespective of whether we do or do not let ships be built abroad, we must do our own building to carry it out and build every ship we possibly can.

I was thinking about the present force, in fact, the force as it is going to be within the next year, as I understand it, as shipbuilding drops off in relation to what we may need in the view of an all-out emergency.

Mr. BROWNLOW. What you say, Mr. Drewry, is just a fact. If this drops out, just throw out the Mariner program alone; it does not require as many on the tankers as on a cargo vessel, and you will be surprised with the rapidity with which it is over the hump, to put it in the vernacular, that the employment will go down. This number will go to 50 percent of what it is at the present time, which means that you have to have a tanker program somewhat comparable to

what we have now to even maintain a force of even half of what we have at the present time.

We do not have a ship on the ways, a contract awarded in this country today, other than the tankers, and that sort of thing. We do not have a commercial vessel of any consequence with a contract awarded..

Mr. DREWRY. You are speaking in terms of a vessel of over 1,000 gross tons?

Mr. BROWNLOW. Larger than that. I am talking about say, vessels similar to the *America*. There is nothing of that sort at all. As a matter of fact, I know of no combination freight and passenger vessel that is even up for consideration at the moment. If it were, it would take us another year and a half, as someone has said here before, before you would feel the effect of that.

The most emphatic thing I could say is that it is a sorry state of affairs in a nation like our own.

Mr. DREWRY. I have just one further question. Can you tell us what your total membership is in these shipbuilding trades? You mentioned an overall figure of 2 million, but that went well beyond the shipbuilding——

Mr. BROWNLOW. Our membership that is engaged in shipbuilding right at the moment would be about one-half of the number that is presently employed. On the basis of 130,000, it would be, at the present, about 65,000.

It might be of interest—I do not know if it has any bearing on this hearing—to point out that under one agreement, that was the Pacific Coast District Metal Trades master agreement, we had over half a million under the one contract. It was the largest number under one agreement ever known in the history of the United States during the war.

Our people—when I say "our people," I am sure it will be true of the CIO shipyard workers—will continue. This force will continue, though they will be away from the shipyards, if that is the point you are getting at.

Mr. DREWRY. That is the point. The total membership, whether they are actively employed at the present time or not.

Mr. BROWNLOW. Our shipyard workers are not employed at the present time. They are employed in automobile factories, they are in airplane factories. They are all over. They are in the construction industry to a great extent. They have had to get away from the areas of the shipyards. Once they get away, you run into additional expense, because it means new housing and a new program all over again. We have gone through that so often.

Mr. DREWRY. You mentioned the disrupting effect caused by a suddenly completely expanded shipbuilding industry on local communities, and so on, where shipbuilding yards have to be set up, where there is nothing to begin with, and the force absorbed into the community.

Is it not true also that such a wartime program has an equally bad effect in taking people away from areas?

Mr. BROWNLOW. That is right.

Mr. DREWRY. Was there not a yard up in the Great Lakes region where the yard was initiated by a group of interested citizens solely

for the purpose of keeping their force from going off to the west coast?

Mr. BROWNLOW. Yes. I might say that the Electric Boat Co. went into the manufacture of truck bodies, printing presses, and several other things, to keep their force there so that they would not go somewhere else. It was not a good operation for them, and it was not a good operation for the employees, because they were working at rates which were not mechanics' rates, but they felt they had to do it to maintain their homes. It was more economical for them to do that than to go up to Boston or someplace else.

Senator SMATHERS. Mr. Brownlow, do you have anything else you want to add?

Mr. BROWNLOW. No.

Senator SMATHERS. I thank you, on behalf of the committee, for your time and testimony this morning.

Why do you not announce what the program is for tomorrow, Mr. Drewry?

Mr. DREWRY. Tomorrow, Mr. Chairman, at 10 o'clock, we will hear from shippers or people interested in the shipment of the goods themselves, either export or import. The first witness will be Mr. Donald G. Ward, speaking for the United States Chamber of Commerce. Mr. Ward is vice president of the Mathieson Chemical Corp., Baltimore, Md. Following him will be Mr. Harry J. Carroll, vice president of the Goodyear Tire & Rubber Co., Akron, Ohio; Mr. R. H. Reynolds, president, Rocky Mountain Export Co.; and Mr. Ralph M. Binney, vice president, First National Bank, Boston, Mass.

Senator SMATHERS. The meeting is adjourned until tomorrow morning at 10 o'clock.

(Whereupon, at 11:50 a. m., the subcommittee recessed, to reconvene at 10 a. m., July 16, 1953.)

# MERCHANT MARINE STUDIES

**THURSDAY, JULY 16, 1953**

UNITED STATES SENATE,
SPECIAL SUBCOMMITTEE ON MARITIME SUBSIDIES OF THE
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
*Washington, D. C.*

The subcommittee met, pursuant to call, in room G–16, Capitol, at 10:10 a. m., Senator Charles E. Potter, presiding.

Present: Senator Potter.

Also present: Mr. John M. Drewry, special counsel to the subcommittee.

Senator POTTER. The subcommittee will come to order. Today, we are going to hear from witnesses who are neither in the business of operating nor building ships, but to whom ships are most vital.

Our witnesses today come from all parts of the country—from Baltimore, Md., a great industrial seaport community; from Akron, Ohio, and Denver, Colo., leading commercial centers of the Middle West and Mountain States; and from Boston, Mass.

Before the end of this year, I hope we can hear from similar witnesses from the Southern and Far Western States.

When Senator Tobey, chairman of the Interstate and Foreign Commerce Committee, appointed this subcommittee in early April of this year, he directed that we study operating and construction differential subsidies, and other forms of Government aid to our merchant marine.

It has been said before, but I believe it worth reiterating here, that we have felt that the questions of "how much" and "what kinds" of aid could and should be granted to American-flag shipping were secondary to the questions of "how much" and "what kind" of merchant marine the United States should have to serve its essential commerce and provide an economical, feasible nucleus for expansion in event of war or other great national emergency.

Not unil these primary questions can be understood can we truly appraise the effectiveness of existing maritime legislation in the light of today's conditions—domestic and foreign—and then proceed to implement our conclusions with recommendations which would strengthen or amend the law as it is.

Pursuant to the foregoing conception of our directed study, we started our hearings by requesting the Government departments, such as the Department of Defense and Department of Commerce, to give their views.

The results have been very gratifying.

For the first time, to my knowledge, the Department of Defense has clearly and tangibly stated what sort of active merchant marine is needed for mobilization purposes for the security of the Nation.

The Department of Commerce also presented valuable evidence to the subcommittee relative to the condition of our merchant marine and its essentiality.

Since our studies began, we have also heard from most of the segments of the shipping and shipbuilding industries—the subsidized and nonsubsidized operators in the foreign and domestic dry-cargo trades, the tramp operators with their special problems, and seagoing and shipyard labor.

We expect to hear from marine underwriters; the carriers of the important traffic on the Great Lakes; and from our tanker operators without whom our economy—and our defense—could not function.

I had not intended to make this type of statement today because it seems so obvious to me that the United States Chamber of Commerce and these witnesses who are appearing to express the views of the American importer and exporter with respect to our merchant marine would be vitally concerned with the problems we are considering.

However, since today's witnesses were scheduled, I have heard a number of inquiries to the effect of, "What interest have these people in your hearings?" or "What does a man from Denver, Colo., care about shipping?"

I do not know how any of these gentlemen will testify, but I am sure that when they have made their statements, they will show how the most landlocked American must depend in some important measure on the goods that flow in the foreign trade of the United States, and the ships—instruments—that assure that flow of goods at all times.

In other words, I believe that they, more than any witnesses we have had, will be able to show the American people that every American is greatly concerned—or should be—about the American merchant marine and the importance of its place in our economy.

We have as our first witness this morning Mr. Donald G. Ward, of the United States Chamber of Commerce. Mr. Ward, we will be glad to hear from you.

## STATEMENT OF DONALD G. WARD, DIRECTOR OF TRANSPORTATION, MATHIESON CHEMICAL CORP., BALTIMORE, MD.

Mr. WARD. My name is Donald G. Ward. I am director of transportation for the Mathieson Chemical Corp. of Baltimore, Md.

I appear here on behalf of the Chamber of Commerce of the United States, and as a member of its transportation and communication committee.

The Mathieson Chemical Corp. is a manufacturer, processor, and shipper. Today, with 28 United States plants and 17 foreign plants and licenses, Mathieson is distributing its great variety of diversified products throughout the free world. We are moving approximately 3 million tons annually of waterborne commerce, including such products as drugs, medicines, and chemicals of various types. I have entire charge of all transportation activities, including transportation equipment and transportation personnel, throughout the corporation.

It might be interesting to note there that we are moving approximately 12,000 individual shipments from United States ports to destinations throughout the world.

Senator POTTER. That is, annually?

Mr. WARD. That is right. The national chamber, a federation of over 3,200 chambers of commerce and trade associations, with an underlying membership of a million and a half businessmen, has recognized the value of a merchant marine under the American flag since the earliest days of its organization. Over the years, questions affecting the merchant marine have been studied by chamber committees. These committees have been composed of a broad representation not only of officials of steamship lines and shipbuilders, but exporters and importers, specialists in maritime law, and representatives of financial institutions interested in international trade.

An adequate merchant marine is essential for commerce: As a result of these studies, the chamber membership, through referenda and annual-meeting declarations, has consistently supported the belief that a well-balanced merchant marine, under private ownership and operation with Government regulation and support, is required in the interest both of national security and of our foreign commerce.

From the security viewpoint, the national interest in having a fleet of merchant ships capable of transporting large numbers of men and quantities of materials and supplies overseas, and of bringing to this country badly needed raw materials, has been amply demonstrated in two world wars. The national interest in a shipbuilding and ship-repair industry equipped with at least a nucleus of skilled and experienced personnel, tools, and know-how upon which to build in event of emergency is of equal importance.

You already have received testimony by the Department of Defense as to its estimate of the size and type of merchant marine needed for national-defense purposes. I want to talk to you about the necessity of a merchant marine under the American flag to serve and protect our foreign commerce.

It has been called to my attention that there is a feeling in some quarters that we have little, if any, need for an American merchant marine except for purposes of national defense. I have also been told that it is the view of some that only the ship operators ever rise to the defense of an American-flag merchant marine, and that shippers in foreign commerce seldom indicate an interest when matters affecting the merchant marine are under consideration. I want to correct any such impressions.

The Chamber of Commerce of the United States, as an organization, and I, as a shipper in both the import and export trade, want to assure you that an American-flag merchant marine is absolutely essential to the maintenance and development of our foreign commerce, and to our domestic economy.

And, the simple fact is that in order to successfully operate an American merchant marine over the long pull, in competition with lower-cost foreign-flag operators, Government financial assistance is necessary. The Merchant Marine Act of 1936 provides such assistance, and the chamber has consistently supported the principles of that act.

Construction subsidy: As you are aware, the 1936 act provides two distinct types of subsidy. One is in the interest of maintaining a shipbuilding industry, with suppliers and with skilled employees. It merely provides for the maintenance of the American standard of living in the building of ships for operation under the American flag.

Twice in the last half century, the need for shipbuilding capacity in time of a war emergency has been amply demonstrated. Each time it has cost vast sums to make up for our apathy toward this essential defense asset between emergencies. In World War I, it cost $3 billion. In World War II, it cost $12 billion. These vast sums were spent in building shipyards and building ships in those yards, under inflationary conditions brought about by war emergency.

Chamber President Richard L. Bowditch said, in an address only a few weeks ago:

> We are all prone to take our merchant fleet for granted, until a war cracks around our heads. That has happened twice in the century. And twice in this century we have run around like mad, trying to repair in a matter of months the neglect of many decades, at terrific expense and in an atmosphere of intense anxiety.

Senator POTTER. I would like to state that many of us were very pleased to note that Mr. Bowditch, president of the United States Chamber of Commerce, made his first speech on the merchant marine. That was certainly a good start, as far as people who are interested in the merchant marine are concerned, and it shows a real consciousness of the chamber of commerce in maintaining and building up an adequate merchant marine.

Mr. WARD. Mr. Bowditch, Mr. Senator, has a greater appreciation of the importance of foreign commerce to the domestic economy of the United States than most people do.

Senator POTTER. I am sure that the United States Chamber of Commerce can be of great assistance in bringing about a better understanding of it to people, particularly in the inland parts of our country, a better understanding of the purpose of an American merchant marine, and to explain the program that now exists.

Mr. WARD. Operating subsidy: The other type of subsidy provided for in the Merchant Marine Act is the operating subsidy. It is paid to the ship operator. It, again, is for the purpose of maintaining the American standard of living and American working conditions aboard American ships.

In international competition, American ship operators must meet freight and passenger rates of lower-cost foreign competitors and at the same time pay wages and provide working and living conditions in accordance with American standards. We would not have it any other way. But, to have a merchant marine under the American flag under these conditions, especially in times when competition for business is keen, it is necessary for the Government to absorb the difference between certain American and foreign operating costs through subsidy. This subsidy does not automatically guarantee a profit or prevent a loss, as some seem to think, but is designed only to place the American shipowner on a parity with his foreign competitor. But if any profit is made, and it exceeds a specified percentage, the Government recaptures 50 percent of it up to the full amount of the subsidy paid.

Difference in labor costs: The national chamber recently compiled some information which vividly shows the situation in which American ship operators find themselves in competition with foreign-flag operators.

Considering the basic monthly wages of American and foreign seamen alone, with no reference to premium or overtime rates, we found

that as against a monthly wage of $302 for American seamen, Swedish owners pay $104; Greek, $78; British, $67; Norwegian, $52; Danish, $50; and Italian, $33. In other words, we pay almost three times as much as our nearest competitor in basic wages alone.

In addition to this basic wage, there are varying degrees of premium and overtime payments which are difficult to estimate. It has recently been estimated that instead of $302, the actual average monthly payment to American seamen is $454.

With such differences in labor cost—which comprise a large share of the operating cost of a ship—it is not difficult to understand why an American-flag ship operating in foreign commerce requires Government assistance.

Interest of foreign traders: I now want to tell you why, as both an exporter and importer using American-flag vessels whenever possible, I believe that an American merchant marine is essential to the well-being of our foreign trade.

Mr. DREWRY. When do you find it not possible to use American vessels?

Mr. WARD. Unfortunately, and while my company and myself, personally, have a definite policy of using American-flag vessels, I cannot do so in many, many instances, among which are those cases when there are infrequent American-flag sailings to the port which we must serve, and I, therefore, will substitute a foreign-flag ship, if it is in the correct position.

I will delay a shipment for a week, 10 days, sometimes as high as 3 weeks, in order to use an American-flag ship. But when that delay goes to excessive time, I will use a foreign-flag vessel. I will make an effort in each case to use a conference-contract line, but that, in turn, is not always possible.

There are other occasions when I have used foreign-flag vessels, and that is primarily in the tramp trade under chartering conditions. For example, if we are selling 5,000 tons of fertilizer to India, we will usually charter that business, because the conference contract rate is so much higher than the foreign ship rate, let us say, from Holland or Japan to India, that automatically, if we try to use the American-flag vessel, we would not sell in that trade at all.

Under those conditions, we canvass the entire worldwide charter market and find out what the rates will be from the competing foreign companies and from all the steamship operators into India, as well as the tramp trades into India, and in that case we will be compelled, in order to sell our goods, to use that low-cost, and generally, foreign ship.

Mr. DREWRY. That would also involve considerable of the American tramps which are competing with the foreign flag?

Mr. WARD. That is correct. The American tramps are definitely competing. Unfortunately, the American tramps in the charter trade are generally underbid by the foreign tramps. I think it is a regrettable situation. I think you will be interest to know that I have, at times, gone into the charter market with indications for 5,000- and 10,000-ton cargoes, at an indicated rate. We have gotten the business on open bidding. I have then gone to the American-flag ships and said, "We will split this 10,000 tons up into 1,000-ton quantities in order to see that you get this American tonange from American

ports." And quite frequently they have gone in and taken that business in 1,000-ton lots under special rates.

The American ship operator has done everything he can to bolster the American commerce in foreign fields through maintaining competitive rates. But in innumerable cases, they cannot do it.

Mr. DREWRY. One trouble, I suppose, you have with the use of American-flag tramps, is that they have to pay the same high operating costs as the American liner, but receive no aid of any kind to overcome the differential with their foreign competitors. There is a great deal of bulk-type movement in the American froeign trade, is there not?

Mr. WARD. Yes; there is. But I believe you will find that in many, many instances, the heavy-moving bulk cargoes that are being moved in American ships, whether they are conference-contract ships or conference-line ships or tramps has been because of a definite policy established by the Federal Government of designating that a certain percentage of that tonnage should move on American-line vessels. That has been true in the past several years.

Without that designation by the Administration, I think the great majority would have moved on foreign tramps. One case in point is the present movement of wheat to Pakistan. A case to the contrary is 50,000 tons of fertilizer that is now moving to Korea. That is going entirely on foreign ships from a United States port. It is regrettable, but the foreign ships undercut the charter rate by $2.15 per ton.

Senator POTTER. What ships are those?

Mr. WARD. I understand they are going to be Greek. The charter has been made, but I cannot find out who the company is. It has been kept secret. I will find out when the first ship goes.

Mr. DREWRY. It seems obvious that if we want to carry any portion of that bulk-type movement, the normal movement outside of the Government-controlled cargoes, aid cargoes, we would also have to subsidize the tramps in order to compete with the foreign firms?

Mr. WARD. That is absolutely right. I do not believe there has been 10 percent of the instances where I have tried to put bulk cargo on American tramps that I have succeeded. They have been outcompeted.

Mr. DREWRY. Can you comment on the situation that would prevail as far as the cost to the American shipper is concerned if our merchant marine were not in being? Do you think that would have an effect which would increase the rates up well above even what the American-flag ship charges at the present time?

Mr. WARD. I think it would have an entirely and definitely disastrous effect on our foreign commerce. I am covering that later in my statement. I think you will find that is fairly well covered. I think when you reach that point you may have some other questions that you may want to ask.

Senator POTTER. What percentage of your shipments is carried on foreign bottoms?

Mr. WARD. On numbers of shipments, 98 percent is on American-flag lines; on tonnage, over 80 percent is on foreign ships.

Senator POTTER. In other words, most of your shipments from foreign-flag bottoms are bulk-cargo shipments which would normally be tramper-type cargo?

Mr. WARD. That is correct. Dollarwise, the number of shipments are more important to the American merchant marine than the tramp shipments are, but tonnagewise the tramp shipments are far in excess of the flag-line shipments.

Senator POTTER. Would you consider your operation as fairly typical of most American business?

Mr. WARD. Well, I can say it is typical of the chemical industry of the United States. I am sure it would not be typical of the steel industry. As to the chemical industry, it is very definitely typical.

Basically, our foreign trade requires prompt, regular, and dependable service at reasonable rates. That is the criterion of any service industry. The question is whether we can have such service without an American-flag merchant marine or with a weak and ineffective merchant marine. We cannot, and in saying this I am not only expressing my own viewpoint, but the consistent viewpoint of the membership of the Chamber of Commerce of the United States over an extended period of years.

### MAJOR DISRUPTION IN FOREIGN-FLAG SERVICE

History offers excellent guideposts for the future. Therefore, I should like to recall some of our experiences of the past. Such experience has shown that in the event of any international disturbance, not necessarily one involving the United States directly, foreign-flag shipping on which American exporters and importers might rely will be withdrawn to be placed in other service considered more essential by the country whose flag it flies, or just more lucrative service.

### BOER WAR

I cite as an example the Boer War, fought by the British in South Africa at the turn of the century. That may seem to be going back a long way for an example, but it proves a point. In that war, which did not involve us, the withdrawal of British ships from normal trade to supply British troops in South Africa, and the increase in British-controlled rates, imposed a heavy burden upon our foreign trade.

### WORLD WAR I

When World War I began, and we were not then involved, since the principal combatants were also the leading maritime nations, they naturally requisitioned or interned most of their ships. Foreign-flag ships were withdrawn from our ports—some to do essential work for their own countries, and some to switch to other operations made lucrative because of the withdrawal of a sizable amount of shipping from the normal channels of trade. Cargo piled up on our wharves and in our warehouses, and railroad cars could not be unloaded. Rail congestion at eastern seaports extended back as far as Chicago, and rail embargoes had to be declared. Because of this congestion, people in the East did without some of the essentials of life, and relatively little foreign trade moved when it was greatly in demand.

Mr. DREWRY. The other day it was testified that shipping rates in the foreign trade went up over 1,000 percent at the outset of World War I.

36174—53—pt. 1——35

Mr. WARD. That is correct; they did. Of course, there were a lot of reasons for it. One was the shortage of vessels; one was the great demand for cargo space, increased costs, war-insurance rates. There were many, many things that caused that. However, there is no great doubt but that a great deal of it was, let us say, foreign shipping interested in getting more money; in other words, charging what the traffic could bear. They could get it, and went out and got it.

### BRITISH COAL STRIKE

Moving on, a famous example of the dubious policy of depending on foreign tonnage to serve our foreign trade is the British coal strike in 1926. The ships that were carrying our commerce were withdrawn at a time when the crops of the United States were ready to move. They were needed to bring coal to the mother country. This is an example of foreign-flag ships being assigned to more essential service in the interest of the country whose flag they fly.

### WORLD WAR II

We come to the next serious disruption of our shipping services—World War II. This time, cargo was not piled high on our docks. Warehouses and railroad yards were not congested. We had had the stimulating effects of the Merchant Marine Acts of 1928 and 1936. We had started on a program of building an American-flag merchant marine. Commendable as that was, it was not the answer to why there was no congestion on our docks, in our warehouses, or in railroad yards. The real answer was that only that traffic was allowed to move that could be accommodated in the relatively small number of available ships. The same thing happened then that had happened in 1914. Foreign-flag tonnage disappeared from our ports, except to carry lend-lease cargo home. Little shipping was left, and that was American-flag shipping. And there wasn't nearly enough of that.

I think you might be interested to know that just prior to and following the attack on Pearl Harbor, I was assistant manager of the British Petroleum Board. It was formerly called the Shuttle Board. We had 62 people operating tankers from the Western Hemisphere ports, including the Pacific coast, the United States gulf, Caribbean, and the Atlantic seaboard.

Those ships were assigned to British service to carry lend-lease cargoes from the Caribbean and United States gulf ports to storage located in places from Halifax, Nova Scotia, to Philadelphia. They were shuttling cargoes. That was because of the fact that American ships in those days were not permitted in the war zones.

There was an absolutely extreme shortage of tanker tonnage at that time. The British ships could be used, and some Norwegian, to handle cargoes from eastern seaboard ports to the United Kingdom. The American ships were used from the gulf to the eastern seaboard. It was an extremely expensive and inefficient operation. It had to be done because of a shortage of shipping.

Immediately following Pearl Harbor, that shuttling operation, that inefficient operation, was stopped, and the ships went direct to Caribbean ports and moved direct to the countries of foreign destination, such as the United Kingdom.

That shortage of ships lasted through 1943, and it was not until July of 1944 that the situation completely reversed. Instead of a shortage of ships, we ran into a shortage of oil. Those were the days when our ships were being sunk day in and day out.

The fact that the petroleum industry in the United States, prior to the days of Pearl Harbor, had made an effort to build up a worldwide tanker fleet under United States flag was one of the things that saved Europe and saved England in the early days of the war. Without those tankers we would not have had England.

The work that was done to avoid a repetition of the port congestion of World War I was done by those who had suffered, yet benefited, by the experience of World War I—the railroads. Foreseeing the future, the railroads had a plan, and put it into effect with the advent of prewar lend lease. It didn't move all the freight that was needed, but it controlled the movement of freight from inland points to our ports. Nothing was actually moved to a port for which there wasn't space in the few ships that were available.

Production itself wasn't stopped, but transportation to foreign destinations was controlled. Anything that didn't have definite reserved space aboard either a regular American-flag vessel or a lend-lease cargo vessel was stopped in transit until it did have definitely committed vessel space. It was then that the United States entered upon the biggest shipbuilding program the world has ever known, which ended in an expenditure of $12 billion and with anchorages filled with emergency-type ships.

That is the commercial shipping story before we actually entered World War II. The railroad plan was an excellent solution to the congested transportation facilities of World War I, as far as any solution could have been devised with the facilities at hand. But it was a control measure—not an answer—and it couldn't have done even the job it did without an American-flag merchant marine, short of stopping all American foreign trade except lend-lease transported for the country for which it was intended. And as a control plan, it moved only the most essential cargoes.

That is a historical review of the trials and tribulations of anyone trying to sustain a business involving foreign trade without an adequate merchant marine under the national flag.

Mr. DREWRY. That $12 billion would have paid several times over for an adequate merchant marine if it had been phased properly prior to the war?

Mr. WARD. You are definitely correct.

Senator POTTER. It makes the so-called subsidy program look puny by comparison?

Mr. WARD. Extremely puny. Looking back on it, I feel there are few who can fail to realize that we need an American-flag merchant marine, not only for national defense, but to protect and serve our foreign commerce.

## KENNEDY AND KELLER COMMITTEE REPORTS

The conclusion that a merchant marine under the American flag is needed for our foreign commerce has also been reached in a number of official studies and, of course, forms the basis for all merchant marine legislation adopted in recent years. I should like to take a brief

quotation from the 1947 report of the President's Advisory Committee on the Merchant Marine—the Keller committee. In referring to the findings of an earlier study by the Maritime Commission, it said:

> The committee is convinced that a United States-flag merchant marine has important roles in the development of the country's foreign trade and in the support of its domestic economy. It concurs, generally, in the findings of the report, Economic Survey of the American Merchant Marine, prepared in 1937 by the United States Maritime Commission under the direction of Mr. Joseph P. Kennedy, then chairman. The conclusion of that report that the establishment of regular American-flag liner service from our ports to the markets of the world is of outstanding benefit to the American importer and exporters, because of the improvement in service which results and because of the insurance our own ships provide against interruption of service, is as valid today as it was in 1937.

### DEVELOPMENT OF FOREIGN TRADE

In addition to providing against disruptions in service, an American-flag merchant marine performs other services important to the American exporter and importer as the Keller committee found. In the development and maintenance of trade, the American ship operators are the natural allies of the American exporter and importer.

The very existence of an American merchant marine is an advertisement for American goods abroad. It is an assurance to the foreign buyer that he can count on regular deliveries of the goods he orders from this country.

Foreign-flag lines serving American ports operate throughout the world, and are not dependent on trade between the country of their flags and the United States. American lines practically without exception carry cargo only between the United States and other countries and, only incidentally, if at all, derive any revenue from carrying cargo from one foreign country to another.

Mr. DREWRY. Why is that, Mr. Ward? Could you elaborate on that a little bit?

Mr. WARD. I think the answer is found in the statement you made a moment ago, with regard to the application of subsidies and the difference in the cost of operating American vessels as against foreign vessels.

In operating between foreign countries in foreign trade not involving the United States ports, the American vessels are not subsidized. The American vessel is, therefore, not in a position to compete with a foreign-flag vessel operating at a much lower cost. In addition to that, the American vessel operating between foreign ports does not get the special concessions and attention that the foreign vessel operating from its own country or origin or destination gets.

It has been found a practical impossibility in recent years, going back 20 or 30 years, for the American-flag ship to operate between foreign ports at a profit. Occasionally they pick up cargoes in order to get from one place to another. They will move a part cargo or a piece of cargo to offset some of their operating costs, but they never get a profit off it.

Senator POTTER. Is it not true, also, that there has been a great deal of discrimination by foreign shippers in using American bottoms? Sometimes it is national policy. Many times it is the cost element, but at other times it may be just an anti-American feeling in certain areas?

Mr. WARD. Maybe I can explain that this way, Senator. I just made the comment about the efforts that I had gone to to keep my tonnage on American-flag lines. I assume foreign shippers in foreign countries do the same thing for their lines.

Senator POTTER. It is a matter of national pride to have our ships in as many ports as possible, and particularly in carrying goods of our own Nation.

Mr. WARD. We know well if we do not support our own tonnage we will not have the vessels in service, and if we do not have the vessels, we are out of business.

The American line is interested in developing United States foreign trade on the route upon which it operates because it is that trade upon which it depends for survival. It is a natural consequence of this type of operation that it will do everything possible to develop that trade and endeavor to make rates that will permit that trade to move—it is its only bread and butter.

The fact that the American-flag merchant marine is his partner in developing, promoting, and transporting his trade is a vital consideration to the American shipper in foreign commerce.

## DIRECT SERVICES

Until the adoption of an overall national policy toward development of an American merchant marine by Congress in special acts in 1916, 1920, 1928, and 1936, shipping services abroad, with the possible exception of those to European ports, were slow and infrequent. In many cases, there were no direct services and our goods had to be transshipped, with all the consequent delays involved in that type of service.

According to the Kennedy report, referred to previously:

> The outstanding benefit to the Nation's foreign trade came from the establishment of regular-line service in the long-voyage, overseas trade routes which before the war were handicapped by indirect transshipment services, insufficient sailings, inferior vessels, lack of regularity, and the concentration of lines at too few American ports.

An outstanding example of the establishment of direct American-flag service to replace formerly slow, indirect foreign-flag service is the Farrell Lines, formerly the South African Lines. Prior to the establishment of direct service from North Atlantic ports to South Africa in 1925 by the Farrell Lines—with the exception of a once-a-month foreign-flag direct service—exports from the east coast of the United States to South Africa, and imports from South Africa, had to move through a transshipment point in England, leaving our ports on either an American-flag line or a foreign-flag line for Southampton, where they were transshipped to the British Union Castle Line for Capetown.

The trip took approximately 6 weeks. Now, with a sailing every 5 days by 2 American-flag direct services—the American-flag Robin Line having later entered the trade—the complete trip from New York to Capetown takes only 17 days. The fact that there is sufficient business now to support two regular American-flag services, in addition to a somewhat stepped-up frequency by the foreign-flag service, is proof of the impetus given to trade by the replacement of slow, infrequent, indirect service by efficient, frequent direct service.

Through the establishment of these services, our national defense has been indirectly benefited by the addition of 28 privately owned vessels

in operation and ready to be used anywhere their services are most needed in an emergency.

Senator POTTER. I would assume, also, by opening up this trade route, you opened up new markets?

Mr. WARD. Very definitely so. It did not involve just a limited number of industries in the United States; it covered broadly the whole industry of this country.

This export business in foreign trade is not limited to a few small companies. One of the later witnesses will testify, and he is in the Pacific territory, to the extent that he has managed to develop foreign trade for a number of companies located in his locality, and that it could not be done without American-flag lines.

Similar examples could be cited for other lines serving trade routes to Europe, South America, Asia, and various corners of the world.

### DEPENDENCE ON IMPORTS AND EXPORTS

To typify our export and import needs, I should like to cite a few figures to indicate the extent to which we are dependent upon ocean shipping services to maintain our daily domestic economy.

We import all of the natural rubber, chromium, tin, and coffee used from day to day in this country, 91 percent of the manganese and 70 percent of the bauxite. We export 40 percent of our rice, 39 percent of our wheat, 33 percent of our cotton, 26 percent of our tobacco, and 24 percent of our lard.

All businessmen, as well as our entire domestic economy, are affected daily by this trade, although this fact is not always appreciated, except in times of emergency.

### OCEAN FREIGHT RATES

There is a question in the minds of some as to whether American-flag lines on a trade route have a beneficial effect on ocean freight rates, since American ships are expensive to operate, compared to foreign vessels. Considering that the high costs are largely offset by our operating subsidies, I believe that American ships do have a beneficial effect, and that they are a counterweight on the side of the American exporter and importer in the making of ocean freight rates.

I might comment on that. The American-flag lines are members of the steamship conferences throughout the world, of course, and also from American ports. The steamship conferences, by conference arrangements, established the freight rates on which our foreign commerce moves.

If we do not have American lines represented in those conferences, protecting American business, and at the same time, of course, protecting their own trades, because if we cannot sell in a foreign country, they will not have the tonnage, they will go bankrupt and be out of service, and we will be out of the foreign trade completely; however, we cannot sell in the foreign trade unless we have freight rates which are comparable and competitive with producers of like materials in foreign countries throughout the word.

I have appeared at innumerable conference meetings. I would hazard the guess that in the past 12 months, we have had at least 75 applications up before conference lines for an adjustment in rates

in order to meet foreign competition, I mean, foreign producers of our goods.

But, predominantly, the fact of whether we sold in the foreign countries or not, ocean freight rates were that particular factor. I might say that, generally speaking, wherever the conference lines could do so, the American-flag lines have gotten into those conferences, that they have fought for rates from United States ports which would permit American commerce to move. It is a very complex thing. Sometimes it takes months to negotiate. But I have yet failed to see an American line who did not make an effort to protect American business.

Senator POTTER. If our merchant marine were allowed to be scuttled, if we did not have American representation in the conference committees, American businessmen would be at the mercy of foreign representation on the conference committees?

Mr. WARD. That is absolutely correct, completely at their mercy. I am afraid their mercy would not be good for us.

Without regularly employed American vessels in a trade, the tendency to get as much as the traffic will bear, with little reference to the development of sustained trade, would be unrestricted. But with American lines represented in rate conferences, there is opportunity to secure recognition of American shipper interests and the adjustment of rates on a fair basis.

Many of the same considerations apply here as in relation to development of trade. The American lines are interested only in trade between this country and a particular group of foreign countries, and do not operate, as a general rule, in trade between foreign countries as foreign lines do.

It also is the policy of American lines to assist American exporters to meet foreign competition in any particular market by endeavoring to make rates that will permit them to compete.

Mr. DREWRY. To what extent are they successful in doing that, Mr. Ward?

Mr. WARD. It is a complex problem and one that is difficult to answer. I know they try. I know they try hard. I know, on the products which we are selling overseas. they have succeeded quite well in doing so insofar as conference contract rates are concerned.

Insofar as tramp operations, charter rates, they have failed. It is not their fault. They cannot help themselves. There have been other occasions where they have also been unable to protect American-flag lines' rates, competitive with other countries. I know they have tried hard to do it, but I know of numerous cases where they have failed to do it. I do not believe it is their fault.

Mr. DREWRY. Do you think the situation could be improved somewhat if a conference system could be worked out for the tramps, so the American tramp could take part just as the American liner does in helping to secure favorable rates for American shippers?

Mr. WARD. It would make any work in our sales job much easier if it could be done. But the tramp rates reflect both market and shipping conditions on a month-to-month basis throughout the world.

For example, when wool is moving from Australia to United States ports, shipping space becomes relatively easy to get to the Far East. The charter rates start dropping down when that happens. As a result, when you are in the foreign field, foreign buyers frequently

wait for timing propositions. If they are buying large quantities, they will wait until the flow of commerce in tramp vessels is in one direction, and then they will buy in the opposite direction. It is a very complex proposition.

Senator POTTER. Does not just the nature of tramping itself make it most difficult to operate on a rate-conference basis, because with your liner service, you are actually buying service, while in tramper service you are buying rates; that is the big difference, is it not?

Mr. WARD. That is exactly right. It does not only involve the steamship trades, but it involves the entire worldwide business, the buying and selling, and conflicting interests of the world, one country against another, one business against another.

It is not a simple business to solve in the tramp business. I have no solution for it at all.

Mr. DREWRY. There have been some efforts made to establish tramp conferences. The difficulties are certainly great. I wonder if you have any thoughts on that?

Mr. WARD. My problems have been serious. I just lost a 50,000-ton bid on an undercut rate of $2.15 a ton. It is over a million dollars' worth of business. I do not have an answer for that one.

Before American lines entered the South African trade, for example, the South African importer was served by the same British line from the United States as from England. In a case like this, it is obvious that there would be little disposition on the part of the British steamship line to give the American exporter a freight rate at which he could compete with a British competitor for the South African business. Since the entry of an American line into the trade, the American exporter has had a partner.

### AN INSTRUMENT OF FOREIGN COMMERCE

I have commented to the length I have on the relation of an American-flag merchant marine to our foreign trade, Mr. Chairman, because I have been disturbed to learn the question persists in Government policymaking circles as to whether we shouldn't depend on foreign-flag lines to carry our foreign trade. This school of thought is not new among some.

### NEED FOR A CONSISTENT NATIONAL POLICY

I have also referred to the need of a consistent national policy toward the merchant marine and for its effective administration. To illustrate what I mean, I will briefly mention the rather hectic situation in which the merchant marine has had to live over the years:

In 1914 we had no national merchant marine policy.

In 1920 legislation was adopted which directed that pending disposal of the war-built merchant fleet to private ownership, the Government enlist the help of private companies in the establishment and development of trade routes in the interest of our foreign commerce.

Mr. DREWRY. In connection with the sale of ships under the 1920 act, from time to time there has been comment that the ships were practically given away and the operators received the windfall of tonnage at low prices.

Is it not a fact that at the time those ships were sold, the conditions under which they were sold—I would not say "much more onerous"—the consideration for the cheap money price went a great deal beyond that in requirements of regularity of service and agreements to stay in the trade for certain periods of time, and other restrictions on the operators, so that the low price per tonnage does not reflect true consideration for the sale of those ships?

Mr. WARD. I believe that is absolutely correct. There is no question of doubt but that at that time there may have been an isolated instance where someone benefited greatly through the purchase of those ships.

I do believe, however, they were very isolated and relatively unimportant to the benefit to the United States for the action taken at that time. The action at that time was of absolute importance in the development of our foreign trade and under highly competitive conditions. In addition, a lot of those ships were not what you would call good ships. So I do not feel at all critical of what transpired then.

The 1928 act authorized the negotiation of "mail contracts" to maintain those of these routes considered promising under private ownership and operation.

A congressional investigation in 1934, known as the Black investigation, minimized the real purpose of the 1928 act and concentrated public attention on the relatively high price the Government was paying for the carriage of mail.

As a result of the consequent unfavorable impression given the public, the method of support of the merchant marine was changed in the Merchant Marine Act of 1936. It frankly recognized the need for a subsidy to American-flag operators subjected to direct lower-cost foreign competition, in the interest of both our foreign commerce and the national defense.

Upon entering into emergency conditions incident to World War II in the early 1940's, all American-flag shipping was requisitioned by the Government, including the many fine newly built vessels, and other still under construction for private operators, built under the 1928 and 1936 acts.

After the war those of these vessels that were still left, and those built during the war that were useful for competitive operation, were sold back to private operators, both American and foreign.

And in 1946 we found world economic conditions such that a large proportion of international trade was foreign-aid cargo and, with a lack of United States dollars abroad, it was necessary to dictate by statute that 50 percent of all such cargoes must move on American vessels.

More recently, shipbuilding for private account for American-flag operation has been stalled by disputes between Government agencies, where we find one Government agency challenging the validity of shipbuilding contracts made by another Government agency, involving millions of dollars of private funds actually spent.

That history, I believe, clearly shows the need for steady direction and uniformity of Government policy toward the merchant marine.

SUMMARY

By way of summary, I should like to outline certain specific things the chamber feels are needed to produce and maintain the healthy and virile type of merchant marine this country should have:

First, it should be made clear that the construction subsidy provided by the Merchant Marine Act is intended to achieve parity in fact with foreign competitors by covering the entire excess cost of construction of vessels in American shipyards over the fair and reasonable estimate of cost as determined by the Federal Maritime Board of a vessel of comparable capacity and utility constructed in a foreign shipyard.

Congress has stated this as a principle and the Government agencies involved should, in consultation with the industry, work out a set of rules that will be understood by all, so that once a contract is entered into, it can be depended upon. The urgent need for this step is emphasized by the cases of the contracts entered into between the Maritime Administration and the United States Lines and American Export Lines, now being challenged by the General Accounting Office after the *United States*, the *Independence*, and the *Constitution* have been built and are in service.

This situation must be remedied before we can expect the needed vessel replacement program to get under way. And, in saying this, I do so with some urgency, since our merchant fleet today, with few exceptions, is midway in its economic life.

Second, it should be recognized that operating subsidy payments are of benefit to everyone engaged in foreign trade, as well as the national economic welfare, since they help to assure the necessary shipping services on essential trade routes. They should be continued.

Third, the modern and efficient merchant marine we must have requires an orderly and consistent vessel replacement program. In order to have this, ship operators must be able to accumulate sufficient capital funds to attract the necessary additional capital required.

Senator POTTER. I think your observation about the urgency of determining national policy, particularly as it relates to our construction program, is very important at this time. The delay of this year will be felt considerably. Unless they come up with a firm construction program, that the industry will have trust in, in the very near future, it will be past the point when we can solve our replacement program, replacement problem.

It will do immeasurable damage to our merchant marine, and in the long run will cost many, many more dollars by the delay.

Mr. WARD. I want to thank you very much for giving me this opportunity not only to express my own views, but those of the United States Chamber of Commerce. I appreciate it very much. I am extremely optimistic that something is going to happen.

Senator POTTER. Mr. Ward, we are most pleased that the chamber of commerce has seen fit to give us the benefit of the views of that great organization.

I wish to commend you and the chamber for a most enlightening presentation. I sincerely hope that the chamber will give as much circulation to your statement as possible. This is the first time, to my knowledge, where the shippers, themselves, have been able to present their views. I know it takes it out of the class of the operators

and the shipbuilders and brings it to the people they serve as to the necessity of having an adequate American merchant marine. I think you have done a great service to your merchant marine by your presentation.

Mr. WARD. Thank you very much.

Senator POTTER. Next, we will hear from Mr. Ralph M. Binney, vice president, First National Bank, Boston, Mass. Mr. Binney, we are delighted that you can come to give us your views on this question.

## STATEMENT OF RALPH M. BINNEY, VICE PRESIDENT, FIRST NATIONAL BANK, BOSTON, MASS.

Mr. BINNEY. Mr. Chairman, Mr. Drewry, my name is Ralph M. Binney. I am vice president of the First National Bank of Boston. For 33 years I have been associated with the Foreign Trade Division of that institution, and I am also on the board of governors of the Maritime Association and past president of the Boston Chamber of Commerce and currently chairman of its port affairs committee.

I am appearing before this committee in order to contribute, if I may, a banker's views on the necessity for an American merchant marine. Both from a personal and professional view, I have long had an interest in this subject and the First National Bank of Boston, the oldest chartered bank in the country, has had from its founding a close affiliation with the maritime industry itself and with foreign trade, of which the maritime industry is a very important instrument.

The clipper ships owned at our local ports were eagerly awaited in most major ports throughout the world. Six of the seven owners of the ship *Columbia*, of Boston, which solved the riddle of the China trade, were customers of our bank. During the first 90 years of our existence, 10 presidents served our institution, all of whom were merchants and shipowners.

Since early colonial days, foreign commerce has been a cornerstone of the New England economy. As heavily industrialized and technologically advanced as the region has become during its growth, we remain practically as dependent upon two-way trade as were our ancestors 200 years ago. Small in area, lacking in many basic resources, but with a highly skilled population, we have become one of the foremost regional industrial plants, turning raw materials from other lands into manufactured products universally known for quality.

In large measure, the wheels of New England industry would stall without the continual flow of raw materials from overseas. For example, our textile mills are fed in part by cotton from Egypt, Peru, and Brazil, and wool from Australia, New Zealand, South America, and South Africa. Our sugar refineries draw their raw sugar from Cuba, Puerto Rico, and the Philippines. Canadian lumber helps to build our homes, schools, churches, and plants. European steel has carried our manufacturers through periods of domestic shortages. Hides, skins, and chemicals from many lands keep our tanning and leather industries in production. Crude rubber and latex arrive from the Far East to be processed here into footwear, tires, tubing, and so forth.

The importance of overseas supplies to the general economic welfare of this section was revealed by a survey conducted in 1947 which

indicated that more than one-third of New England's workers earned their living from businesses that used imported raw materials. This is to say nothing of those employed in the supporting fields of transportation, banking, insurance, stevedoring and customs brokerage.

In addition to these industrial supplies, our lives are made more pleasant by a wide variety of consumer goods from overseas. We are the largest tea-importing port and also handle substantial tonnages of coffee, cocoa, and tapioca from Latin America; wines, canned and fresh fruits and vegetables from the Mediterranean; fibers, spices, and numerous other products from the Far East; tobacco from the Near East; and fish from Canada, Norway, Japan, and Peru. All are common sights in our supermarkets and in our homes. Our department stores display imported perfumes, laces, watches, glassware, shoes, crockery, and many other items. It would be a rare day, indeed, when most New Englanders did not come into direct or indirect contact with some foreign commodity.

Of equal importance to us, overseas customers provide us with the markets for the products of our skill and our machines which are so necessary to the economic health of any area so heavily industrialized as ours. New England produces 57 percent of the textile machinery, 45 percent of the cutlery, 45 percent of the typewriters, 42 percent of the hand saws and blades, 37 percent of the ophthalmic goods, 30 percent of the abrasive products, 30 percent of the insulated wire and cable, 27 percent of the machine tools produced in the United States. Without a ready acceptance throughout the world for our products, our industry could neither have been built to its present size and importance nor could it maintain its prominent position.

New England has a vital and growing stake in the foreign trade of our country, not alone because of our direct participation and dependence on imports and exports, but also because so much of our production is shipped to other areas of the United States for eventual resale in foreign markets.

I am convinced that a healthy, two-way foreign trade is essential to the preservation of the American economy. I am equally convinced that a proper merchant marine is an essential instrument of our foreign trade policy, as well as our national defense.

Since my region, and indeed, all of the United States, are so dependent on the steady import and export of manufactured goods and raw materials, it follows, I believe, that we must own and control the means whereby the major portion of our foreign trade is transported to and from markets overseas. We should strive to attain the objective of our national policy—a merchant fleet privately owned and operated—suitable for defense and capable of carrying a substantial portion of our own foreign commerce.

Shipping is, in itself, an invisible export, and I am conscious of the importance of shipping to many countries of the world who earn needed dollars by their participation in our Nation's commerce.

But I do not consider that it would be prudent business management to relinquish control of the shipping on which our foreign trade depends. The goal of 50 percent appears to me the irreducible minimum of American-flag participation. To be satisfied with less, imperils not only our shipping industry, but our foreign trade as well.

The importance of a healthy shipping industry for national defense is obvious, but this will, I assume, be covered by other witnesses more knowledgeable than I of its vital importance.

New England's interest in the maritime industry is not attributable only to our interest in foreign trade. I cite this first because it is basic; because it affects every individual, every community, every State in our area, and because our recognition of the mutuality of foreign trade and shipping can be duplicated in any part of the Nation, including those areas which cannot count among their blessings a location which requires a more direct interest in shipping.

From the beginnings of this Nation, our area has built, repaired, and operated ships, and many of our industries manufacture parts and products that go into ships.

We take great pride in the fact that the first oceangoing vessel to be built on the North American Continent was launched in Maine. But our pride is not historical alone. It does not rest merely upon our achievements in the whaling days or in the golden age of American shipping, when Yankee clippers dominated the oceans of the world. No, we have pride in our more recent accomplishments—in the ship-repair and shipbuilding industries which we have brought to a high degree of efficiency, and in the great strides we have made in our port-development programs.

But our pride is tempered with alarm. We are apprehensive about the future of shipbuilding and the dissipation of the shipbuilding skills we have nourished for centuries. Those skills we consider a national asset of tremendous strategic importance in our role as the leading Nation of the world.

Mr. DREWRY. Can you tell us about the prospect of shipbuilding in your area of New England?

Mr. BINNEY. So far as I have been able to ascertain, there have been no new contracts signed in the last 8 months. I do not know of any contracts on the horizon. I think that is regrettable, because we find that draftsmen, loftsmen, and other valuable skilled employees are being laid off and are going into other industries.

When the skilled employees leave our area and go into other industry, it is very difficult to get them to come back again, once they get established elsewhere.

Senator POTTER. The lack of orders today will clearly show up 18 months from now?

Mr. BINNEY. Yes; that is probably the situation.

Mr. DREWRY. The yards are operating at the moment?

Mr. BINNEY. Yes, but we have no backlog of orders. There is nothing ahead that will assure us we are able to continue. They get to the stage where they begin to cut back, especially in the craftsmen and others that have to work in the early stages of construction.

The decline of shipbuilding and the loss of that asset would not only be a severe blow to New England; it would be a national calamity. Unfortunately, despite national dependence upon an American merchant marine, the shipping business does not—to a banker—when compared to other industries, represent a very good investment in a strict financial sense.

To me, this is incomprehensible, both in place and in time. We now have the largest privately owned merchant marine in our history, second in the world only to the British; we now generate more seaborne trade than any other country; we now have international responsibilities, economic and political—requiring more maritime power—than we have ever before assumed. Finally, only a few

years ago we emerged from World War II, and are not fighting in Korea and providing military support, direct and indirect, to the entire Western World and sections of the Far East. All of these developments have profound maritime implications.

I doubt that my predecessors at the First National Bank of Boston would have conceived that our maritime industry would ever develop its present vast ramifications and concomitantly lose its investor appeal in a progressively growing America.

I do not intend within the scope of this presentation to attribute responsibility for such developments. I would like, however, to point out some of the stark realities potential investors in America's shipping industry must face every day.

One of the, if not the largest potential contributions that a banker can make to the American maritime industry now lies within its normal banking functions, the lending or investing activity.

American shipowners presently have an investment of $1.5 billion in vessels alone. I am told that the Government estimates that to perpetuate this fleet will call ultimately for an investment of close to $8 billion at current price levels. It is also indicated that less than $2 billion of the $8 billion required will be available from current funds, according to the present picture. The balance can be acquired in one or a combination of three ways:

(*a*) Funds beyond those currently estimated as available may be acquired by the companies, but this will depend on business conditions in general and more particularly on the competitive capacity of the American merchant marine.

(*b*) Private lenders—individuals or institutions, whose judgments will be influenced by considerations very similar to those which will affect these possibilities just listed—and alternative investment opportunity.

Mr. DREWRY. Could you expand on that term "alternative investment opportunity" a little bit?

Mr. BINNEY. By that I mean the way that any investor will weigh the situation at the time he is going to put his money into a business. He will consider it as against the safety offered by good bond investments, real estate loans, or perhaps a better comparison would be loans that he might be able to make to growing profitable industries like the automobile industry, the airlines, electronics, plastics, and other opportunities of that sort.

Senator POTTER. I do not know whether you are familiar with the new Deputy Secretary of Commerce's effort to procure private financing for ship construction or not. I know Mr. Murray has been making an intensive effort to determine whether it is possible to secure private financing. As a banker, do you have any views along that line?

Mr. BINNEY. I think if the Government wanted to get out of the banking business, as they are now in mortgaging these ships, that the large American banks, particularly those in port cities where they are handling foreign trade and are already familiar with financing of shipping to some extent, could work out some sort of a program.

Of course, your steamships require long-term financing. That does not normally fit into the pattern of a commercial bank that keeps the bulk of its money in short-term commitments. Nevertheless, the banks, as you know, are flexible, and they try to work out financial

programs to meet requirements of American industry. We have worked out programs, for example, for the financing of airplanes, which take a long-term payoff.

We worked out special VT-loans and V-loans, to finance Government contracts. The bankers, I am sure, could work out some sort of a program to finance the shipping industry. It might mean that we would have to work it on a participation basis, the banks would take the shorter term, maybe 3 or 5 years, and get insurance companies or other longer term investors to take the long end of it.

I am sure a pattern could be worked out that would satisfy the needs of the shipping industry.

Senator POTTER. I would assume that the long-term loans that would be required would have a greater appeal to insurance companies?

Mr. BINNEY. Yes, investment trusts, and others that have long-term equity capital. The bankers, I am sure, would be glad to study the requirements of the shipping industry and work out something that would be sound.

Senator POTTER. I think that would be a good step forward, and one important thing it would do would be to restore a greater confidence of American business interests in a merchant marine, if they are willing to put up the money for the construction of the ships that are required.

Mr. DREWRY. Before you leave that point, Mr. Binney, you mentioned the figure of $8 billion to replace the ships at present. Assuming that there was an effort to replace the ships when they became obsolete all of a sudden, would not that $8 billion be a burden on the economy that would be very difficult to handle at one time, or would it have repercussions that would maybe make it cost more than the $8 billion?

Mr. BINNEY. I should think that in working out a rehabilitation program, you would have to do it on the basis of so many vessels a year, and work it out on that sort of a basis. You are not going to jump in and do it all at once, as we had to do it during the war period.

We ought to do it, perhaps, something along the lines that the community in which I live worked its roadbuilding and sewer program. It tried to keep ahead of the needs of the down and not have to do a lot of roadbuilding in any one year and hit the taxpayers all at once, run up a tremendous bonded debt all at once. They try to anticipate our requirements for 5 or 10 years ahead and keep one step ahead, both in roads and sewer construction, water construction, and that sort of thing.

I think your merchant marine ought to be handled on that sort of basis; keep your fleet modern and keep an adequate number of vessels in service.

Senator POTTER. It should be a continuing program rather than a feast and famine?

Mr. BINNEY. Yes, as you run a business. You should keep the machinery and equipment up to date; keep it modernized.

(*c*) The Government, as a contributor, via construction differential subsidies, which I will mention later, or as a lender.

Shipping men, like to talk about block obsolescence. For a banker, this merely means that the requirement for capital for ship replacement, if the industry is to survive, is unfortunately not scheduled over a prolonged period, but concentrated in relatively few years. The

borrowing burden thus becomes accentuated by the fact that over 80 percent of the privately owned fleet was built during the relatively short period of World War II, and only about 50 ships since. While this is a fairly logical consequence of the emergency shipbuilding program and the large number of ships sold under the Merchant Ship Sales Act of 1946, it will have profound repercussions on the competitive capacity of American merchant ships.

Mr. DREWRY. You mean, because foreign fleets are becoming more modern and ours is at a standstill?

Mr. BINNEY. Yes; that is what I have in mind, based on reports which we have received from our correspondents in Japan. I judge that last year the Japanese have already reached second place in ship construction among all the nations of the world. A substantial part of that was accomplished by the use of our counterpart funds. As foreign fleets go more modern year after year—and I think they built about 2,500 new ships since 1947—ours, in comparison, grows disproportionately obsolete.

If such a situation continues, and the building schedules worldwide indicate it will, it will grow increasingly more difficult for American ship operators to attract cargoes, hence profits or reserves. Our ships were at their most modern stage when cargoes were seeking out ships. Then, even an older vessel would have sufficed. We are now in a period where ships are seeking cargoes. American ship operators must have at least a common starting ground with foreign competitors.

Senator POTTER. Not only has the Japanese shipbuilding industry been greatly enhanced by counterpart funds, but we have a drastic example of the American-Hawaiian Line, who wanted to build ships here, and are eligible under the ship construction subsidy program, but due to the present confusion that exists, as a part of our national policy, they are now going to Japan and converting three ships, which could just as well have been done in our own yards and keep our own industry going.

I am fearful if the present dispute continues for any length of time, we will find more and more private dollars going over to build up Japanese and other shipyards, which could just as well be keeping ours alive.

Mr. BINNEY. I am sure that can happen. I think it would be regrettable if it happened.

One method by which an opportunity for competitive equality has been provided, at least in relationship to cost, is through operating differential subsidy contracts covering a substantial segment of the privately owned fleet. By this means, essential ship services are assured the American shipper. For New England, which ships $400 million worth of manufactured goods abroad yearly, shipping services via American-flag vessels on a regular, dependable basis are truly essential.

The operating differential subsidy is an instrumentality conceived and enacted into law by Congress to provide an adequate merchant marine for commerce and defense. Unfortunately, Congress, having adopted a policy of subsidy, has been inconsistent in implementing its own declared policy. Others more directly acquainted with the program should testify as to its adequacy and necessity. It would be wonderful if our merchant marine could survive without subsidy.

Unfortunately, it cannot. But subsidy does not become less distasteful because it is necessary, or less necessary because it is distasteful. The way the situation has been handled creates, for the investor, an uncertainty in the fundamental national maritime policy, and outright concern that the basis for his investment may be completely altered by considerations beyond those of normal investment risks.

In this connection there is a second deterrent to attracting outside capital. It is the existence of a large fleet of vessels under control of the Government itself. This is a serious problem, in that it reflects a contradictory policy in the Government's relationship with the privately owned merchant marine.

I would not attempt to evaluate the military requirement. However, free domestic capital does not normally flow to industries forced to compete, regardless of degree, with Government operations. This problem becomes particularly acute when the Government invades an area of service which private industry can and should provide.

Mr. DREWRY. Are you referring to the foreign aid and defense cargoes?

Mr. BINNEY. Yes. The Government today is necessarily involved to a large degree in international commerce either by generating or controlling tremendous volumes of cargo movements.

The investor must be assured that, whenever possible, and without encumbering our total defense, the firm he invests in or lends to shall be given a full and free opportunity to provide that which the country needs, whether it is shoes, pins, munitions, or ocean-shipping services.

The Government, through its construction-differential subsidy payments, allows an American ship operator in the foreign trade to acquire a vessel in the United States at approximately the same price he would pay if the vessel were built abroad. The purpose of this is to maintain an American shipbuilding industry in peace, so as to provide a nucleus for expansion in time of war. Once construction subsidy contracts are made between the Government and a private ship operator, they should be as binding and dependable as any normal business contract. Recent experience in this connection has been bad and represents a third factor which does not inspire confidence for venture capital. Ships are expensive items whose financing frequently change the entire fiscal structure of a company. A balance sheet may have considerable investor appeal under one set of circumstances and overnight a Government accounting decision may change it completely. Although investment always involves risk, it should be a calculated risk evaluated from a well-established base. It is difficult enough to find equity capital for a shipping company whose very operation involves numerous special business risks but almost impossible if there are some unknown contingencies and the true value of the enterprise cannot be accurately determined at the time the investment is made.

Mr. DREWRY. It has been testified recently that the Maritime Administration is as much as 7 years behind in payment of accrued operating subsidies. That would be involved in this——

Mr. BINNEY. Yes. The longer the shipping companies have to wait for reimbursement the more their money is tied up, and it costs them money to carry that burden of debt.

The investing public is keenly aware that management-labor relationships in the maritime field are not good. This is particularly surprising when their interests are mutually based on the survival of

the American merchant fleet. All too often news reports remind the investor that these problems are resolved only after strikes and work stoppages costly to all parties. The investor in American shipping needs more assurance that the earning power of his investment will not be imperiled by extended work stoppages.

It seems to me that this is the time for decision, for the fork in the road ahead can readily be seen. We have in the Merchant Marine Act of 1936 a sensible and fair national maritime policy. It seems to me that this is the time to gather in the loose ends and make certain that all Government agencies work closely together in the fuller implementation of this policy. I am, therefore, cheered by the action of this subcommittee in making these studies and in its efforts to make progress in this direction. Surely the maritime industry and the labor therein employed, combined with Government, have among them the men of vision, foresight and know-how to create a stable and strong American merchant marine in the national interest, which will generate the confidence required by the American investor and merit the support of the American public.

Mr. Chairman, I appreciate the opportunity you have given me to appear before your committee in order to discuss this important problem and participate in the constructive work that I feel you are doing.

Senator POTTER. Mr. Binney, we are not only delighted but we are honored that you have taken the time to come here. I know you are a busy man. We appreciate your giving us your views. It throws a light on an area that I know is being considered seriously today from the investment angle. Your presentation will be of great help, I am sure, in determining the right policies.

Mr. BINNEY. Thank you, Senator Potter.

Senator POTTER. Our next witness is Mr. Reynolds of the Rocky Mountain Export Co. Mr. Reynolds, we are delighted to have you here.

## STATEMENT OF ROBERT H. REYNOLDS, ROCKY MOUNTAIN EXPORT CO., DENVER, COLO.

Mr. REYNOLDS. Mr. Chairman, I am Robert H. Reynolds, Denver, Colo. I am the owner of the Rocky Mountain Export Co. of Denver which serves as the foreign sales management organization for a group of 14 manufacturers throughout the western part of our country.

We operate as the export department for firms located on the Pacific coast, as far south as Dallas, Houston, over in Kansas City, Oklahoma, and principally in the Colorado area.

This organization was developed for the purpose of serving as a service organization for these manufacturers who had not had experience in foreign trade, but who I thought manufactured products that should appear in the foreign markets.

Senator POTTER. What are some of the products that are manufactured by the clients you represent?

Mr. REYNOLDS. Construction equipment, truck shovels, transit concrete mixers, dump bodies, hoists, things of that type, drilling equipment, both for exploratory drilling and water wells, oil equipment, and a few industrial accounts of things so far foreign to the

other things I have mentioned as to include orthodontic and prosthetic dental materials.

Senator POTTER. You find quite a market for those overseas?

Mr. REYNOLDS. Yes, we do. It is rather interesting, I think, to think that Colorado would play much of a part in foreign trade; however, it is very important to our entire economy out there.

I am going to speak more or less toward Colorado as a focal point, although we do operate throughout the other areas of the West. In Colorado our annual exports are running around $40 million a year, and approximately 200,000 people are directly and indirectly getting some of their livelihood from our foreign trade.

Naturally, I am located in quite an isolationist area. Industries in the past had the opinion that they needed tariff protection, and so forth, for their industries. However, during the past 10 or 15 years, with concentrated plugging, we have at least tempered their thinking. They at least fully realize the importance of foreign trade even from that area.

From the standpoint of shipping of our foreign commerce from that locality we use the Gulf ports for approximately 75 percent of our tonnage, 10 percent through the Atlantic coast ports, and 15 percent through the Pacific coast ports.

The merchant marine service, while it has certainly progressed a great deal over the years, say, since the act of 1936 was passed, the last 15 years or so, has yet a long way to go to give the full and adequate service that we need as manufacturers in the West, and also from the national standpoint.

Our attitude toward foreign trade from that area is that we are just getting a good start, and that we expect to expand a great deal and develop our markers more extensively.

In doing that we are going to require ample services by the merchant marine organization to all parts of the world, as we are not centralizing our activities in any one given area of the world. We feel that if a product which was manufactured in the West could be used in Colombia, South America, it could be used in Pakistan or some other country.

Senator POTTER. As American capital increases—I am thinking primarily of mining capital—the demand for more and more American equipment will increase; will it not?

Mr. REYNOLDS. Very definitely.

Senator POTTER. Which will enhance our export trade and at the same time our import trade. I assume in Colorado, where mining plays an important part, that many of the companies out there also have foreign holdings, that they are dovetailed in together, foreign holdings and American holdings which just enhances the other industries, such as your heavy-equipment industry for shipment to probably all corners of the globe?

Mr. REYNOLDS. That is very true. You will find that as American enterprise goes abroad in that type of investment that you were speaking of, it is not possible for them to change their methods, their technical aspects of their operation to try to go to some other industrial nation to buy a similar product. They have to follow their set plan, and consequently they just fall back on industry here to bring more things into that area.

Senator POTTER. They still rely on the American know-how?

Mr. DREWRY. When you speak of the shipping services, you are contemplating the service that the ship operator can perform in the foreign countries and the development of the trade just as well as the simple performance of carrying goods to destination?

Mr. REYNOLDS. Yes. The statement was made awhile ago that the merchant marines are partners in this thing, which is very, very true. We receive a great deal of help from their offices throughout the world in following up on trade leads, general information about the markets, and so forth.

Senator POTTER. They make pretty good salesmen for you?

Mr. REYNOLDS. Yes; they do. They are a great help to all exporters who are actively in it.

I feel that the manufacturers, my principals, as well as myself, have a right to expect from our Government the maintenance of a merchant marine that is adequate and strong enough to carry on this program of developing foreign trade, because that is the avenue which we have left to really maintain our economy at very high levels for many, many years to come.

We have had a few unusual experiences. Not long ago we had a ship which sold a rather sizable contract of goods to Israel. That Government not long ago started a rather nationalistic attitude toward carrying goods into Israel. They tried, and have been somewhat successful, to have the goods carried on Israeli bottoms. They had at times been carrying on fairly regular services out of the Gulf ports. Consequently, we allowed the shipment to go to Houston, and assumed that the boat would be available to take the shipment. It set in the port of Houston about 2½ months before finally a boat was made available. That is a case in point of what would happen if we were completely dependent upon a foreign country maintaining frequent schedules and services, and also causing elimination of the American merchant marine to participate in that trade.

That brings to my mind the fact that it seems our State Department, the Department of Commerce, and so forth, could come into this picture somewhat in an effort to coordinate or to have inserted in trade treaties an agreement between our country and that particular country in which the treaty is being formulated, provisions for the fair handling of tonnage that is going to be flowing between those countries.

I believe that it has never been considered or has never been inserted actually in a trade treaty.

Senator POTTER. We have been having difficulty in getting our State Department to let us ship 50 percent of our own aid cargoes in our own bottoms.

Mr. REYNOLDS. Unfortunately, I understand that is correct. I hope something can be done along that line.

We naturally ship on American lines to the greatest extent. We belong to the conferences, and in only exceptional cases are we compelled to ship on foreign-flag vessels. The reason for that is—I feel it needs the support of American industry—that we are shipping on scheduled sailings, knowing that the sailing is going to be there when we want it and when they say it will be there, plus the fact that all competition is shipping on the same rates.

We feel confident in setting up a bid on a large quantity of equipment, say in Turkey or elsewhere, that the price consideration is only in our own ability to produce the goods and deliver them to the port. From there on out it is even-steven.

Senator POTTER. It takes the transportation cost out of the determination of the price?

Mr. REYNOLDS. That is right. In fact, that is practically always eliminated in the consideration of the contract.

Senator POTTER. Do you insure your shipments?

Mr. REYNOLDS. Yes; we insure some of them. Some of them are insured by the foreign buyer.

Senator POTTER. What experience have you had in regard to this situation? Is there any difference in the handling of goods in this matter? Do you have any more pilferage on foreign vessels than on American vessels?

Mr. REYNOLDS. No, I do not believe that we do. Certain port areas of the world have more pilferage than others. I think that is due to the local conditions of the ports. There is not much on board the vessel itself.

Senator POTTER. Or in the unloading?

Mr. REYNOLDS. That is right. The dock areas, and so forth.

Mr. DREWRY. Do you work with the ship operators in the matter of packaging and development of containers, and things of that sort, to cut down on pilferage and improve the efficiency of handling it?

Mr. REYNOLDS. We have had some help from them. But by and large I think we have probably gotten our greatest help from the military with the experiences they had during the war. We try to follow, as closely as commercial practice will permit, the formulas, and so forth, that they used to get goods aboard during wartime.

Mr. DREWRY. I was thinking of the question that had been brought up of the development of special containers for export use to improve efficiency. It would seem to me that the exporter could do a great deal in helping the operator to arrive at the type of package which would improve the efficiency of handling, on and off vessels, as well as cutting down on pilferage.

Mr. REYNOLDS. That has been worked on and is being worked on constantly. I think all of us in the foreign trade are vitally interested in that viewpoint. We are coming up with new ideas. There have been some excellent special-cargo carriers that can be filled with box goods and then laid on the ship and taken off in total, sealed. It eliminates the possibility of pilferage. It is the trend that is coming along nicely.

Senator POTTER. This does not have anyting to do with the question under consideration. I have been concerned about the fact that many of our ship containers were going overseas and we are losing, it seems to me, a big advertising effect.

I understand, and I have some photographs in my office, of shipping containers going overseas with just chalk marks showing "U. S. A.," that it gets over to a foreign port and in some cases some Soviet agent will go in with a stencil and with one swipe of a brush change the "U. S. A." to "U. S. S. R."

I also have some pictures of imports that have come in from Great Britain. You will see in every container that comes from Great

Britain in big-size print, "Origin, Great Britain. Made in England." With ours there is no uniformity, apparently, as to markings. I cannot see that the cost item would be great or that there would be any cost item. To me, it is just salesmanship. We are pround of the goods we send abroad.

I would have on them, "Made in the United States of America" in as big letters as I could on every shipping container that I could put it on. I am just wondering, speaking to you as an exporter, if that is not feasible. As a matter of fact, we got through a bill in the Senate recently which stated that it was the sense of the Congress that it be done. I had hoped we could have it as a requirement for shipping. But if it is done on a voluntary basis, that would be fine. I am wondering, as an exporter, if you have a comment on that?

Mr. REYNOLDS. I think it is very, very good. Sometimes we do make a special effort to try to use that from a sales standpoint. However, we cannot identify the goods on the outside of the box. We can only show that it is made in the United States, because if we identify the goods, that immediately is an invitation to walk in and take it.

Senator POTTER. The only thing I am concerned about is to let them know that this box or container came from the United States of America. It goes through many hands. It is a little advertising.

I checked with the Mutual Security Agency the other day to see how we were shipping our wheat to Pakistan. I was pleased to find that—that is going over in your bulk-cargo ships, although as I understand it, it is in sacks—on the side of the ship there was written, "wheat for Pakistan from the United States of America," in 2-foot letters on the side of the ship.

Mr. REYNOLDS. Under the MSA program and the TCA program we have fine emblems that we put on our stencil, where the box actually is colored with the emblem and is in the language of the country to which it is going.

Anything that is under Government aid or loan, or a setup of that type, we do put special stencils on.

Senator POTTER. We used to have a little sticker about that big for the Mutual Security Aid that was going overseas, and nine-tenths of them were off before they got there.

Mr. REYNOLDS. We have stencils for the sides of the boxes ranging from 2 feet wide down to 8 inches. We stencil everything we can stencil.

Senator POTTER. Rather than making it, "U. S. A." I would make it "The United States of America." That would be my layman's opinion. I understand they are in some countries transferring the "U. S. A." to "U. S. S. R.," and I would make sure that they could not transfer the symbol.

Mr. REYNOLDS. I agree with you in that respect.

We have a situation in the Japanese merchant marine services recently where they have been in quite a fight over rates, reducing rates so much that even the importers of the United States are complaining about it, even though they are getting the goods delivered to them at drastically reduced prices, simply because no one knows what the other fellow brought his goods in for. It is such an evil situation that even those that may be benefiting from it are complaining.

Senator POTTER. It is a cut-rate business?

Mr. REYNOLDS. Yes. It is a situation that we do not want in the merchant marine. We want to continue to maintain our merchant marine on a very sound, steady basis so that we know that we will deliver our goods when we have sold them.

I feel international trade is the swing of free enterprise. When it goes out, it has to come back. I recommend personally that we put the United States stamp on that swing by a strong and efficient merchant marine.

Senator POTTER. I wish to thank you kindly, Mr. Reynolds, for giving us your views from the great mountain State of Colorado. I think it is probably the first time, to my knowledge, that we have had a man from Colorado appear before a maritime committee. It is refreshing.

I think the views you have expressed should mean a lot more than the views of somebody from one of the coastal States, because I do know you represent an area, and come from an area where you are representing clients who probably in the past have given very little consideration to foreign trade and foreign commerce and to our American merchant marine. It is stimulating to have you present your views.

Mr. REYNOLDS. I appreciated very much the opportunity to be here.

Senator POTTER. Our next witness will be Mr. Carroll, vice president of the Goodyear Tire & Rubber Co.

## STATEMENT OF HARRY J. CARROLL, DIRECTOR OF TRAFFIC, GOODYEAR TIRE & RUBBER CO., AKRON, OHIO

Mr. CARROLL. I am Harry J. Carroll. I am director of traffic of the Goodyear Tire & Rubber Co., whose general offices are at Akron, Ohio. I am responsible for all transportation matters, domestic, export, import, anything pertaining to transportation.

In the United States we are operating 10 factories manufacturing rubber products, such as tires, tractor tires, and so forth. We have fabric mills for the manufacturing of materials, tire fabric for the construction of tires. We have four plants in Canada. We have 10 foreign plants scattered in all parts of the world from Australia to Java.

We export finished products. I mean by that, tires, tubes, truck tires, and so forth. In addition, we have large quantities of raw materials, such as carbon black, fabric, sulfur, many other commodities used in the manufacture of rubber products in our foreign plants.

This year we imported approximately 110,000 tons of crude rubber and latex. It is our policy to try to put all of our finished products on American-flag ships, and also our imports. However, I find that over a period of time about the best we can do is a maximum of 33⅓ percent, but it is usually around 25 percent, due to the American-flag ships not being available at the time we ship. We are bound by letters of credit, which have expiration dates, licenses, export and import, so that we have to take advantage of the sailings which are available when we have the products ready to move.

We export through practically every port in the United States. Our imports are mostly at Boston, New York, Baltimore, Mobile, New Orleans, and Los Angeles. We control practically 100 percent the

routing and the specifying of the ships or lines that will handle our business either in or out.

As I said, we want to take advantage of the American-flag ships when we can. But over the period of years, it has been very hard to support the American merchant marine due to the lack of proper facilities. Based on our experience, and what other countries are doing, it is my feeling that this country certainly needs an up-to-date American merchant marine.

Senator POTTER. Mr. Carroll, the bulk of your imports come in in trampers?

Mr. CARROLL. No, sir. Every pound comes on regular conference lines. We use no tramps at all.

Senator POTTER. Do you use American ships when American ships are available?

Mr. CARROLL. Yes, sir.

Senator POTTER. The fact that two-thirds of your shipments are made in foreign bottoms is not due to rates but due to the unavailability of American ships, is that right?

Mr. CARROLL. Yes, sir.

Mr. DREWRY. Does that condition exist at the present time where you spoke of the 33 percent?

Mr. CARROLL. Yes, sir.

Mr. DREWRY. We have had testimony recently that the size of the American merchant marine at the present time is just above what it should be, that it is somewhat short, but as to size it is sufficient. Is the scheduling of the American ships the reason that you cannot find——

Mr. CARROLL. Let me give you a concrete example. For instance, on crude rubber moving out of Malaya, Singapore, the Straits Settlements, and so forth, coming to our plants to be consumed at Alabama and Topeka, which come through the gulf ports, Mobile or New Orleans, you have one American sailing once a month, Lykes Bros. The consumption in those ports is terrific. Therefore, the large portion of that rubber over the period of a month, and the consumption of only those two plants, will come in on foreign-flag ships and may come through New York on down to the gulf. You have only the one direct sailing.

Senator POTTER. Would there be trade enough there to warrant, say, Lykes Bros. to make more frequent trips?

Mr. CARROLL. Lykes Bros. has pending now before the Federal Maritime Board a petition which has been there for over a year to increase that service to two sailings a month.

When the testimony was given there were other people present, mahogany log fellows and all types of cargo people who would have material coming over from that area, which would justify two sailings a month, as far as Lykes Bros. was concerned.

Senator POTTER. I had not recognized that problem. You say it has been pending before the Maritime Board for about a year?

Mr. CARROLL. Yes. As I recall, the hearing was around September of last year. There was a tentative decision by the examiner several weeks ago, not favorable. I understand now it has gone back for further hearings.

Senator POTTER. Was there any opposition to it other than Government opposition? I assume they would look into it very carefully

because of the operating subsidy aspect of it, that they would want to make sure it would be a successful operation.

Mr. CARROLL. In addition to that, to determine whether or not the volume of business would justify it without drawing business away from other lines simply to feed this extra service.

Of course, that service into New Orleans and Mobile from Singapore is about 30 days. If we have to bring rubber through New York down there, it runs 45 up to 60 days, depending on the port of call.

Mr. DREWRY. Does it cost you more on the longer haul?

Mr. CARROLL. No, sir. The freight rate is exactly the same.

Senator POTTER. It is a delay in service?

Mr. CARROLL. Yes. It may take 15 to 25 days longer. The point was brought up a little while ago about rates by Mr. Ward. During World War I when the American merchant marine did not amount to much, and most of the rubber was transported through the Pacific coast, the freight rates jumped up to $127.50 per ton, as compared to about $20 a ton, and as compared to a rate of today of $35.50 a ton.

So if we do not have the American merchant marine, as has been pointed out, to protect our interests and we become at the mercy of our foreign friends, the rates can go any place and the service can go any place.

Senator POTTER. You would have no recourse?

Mr. CARROLL. That is right. The other thing is that these foreign lines are very actively soliciting in the foreign countries to get customers to specify in their letters of credit that you must ship via British line, Norwegian lines, or some other line, other than an American line.

So from an American standpoint, if something is not done very soon, in my opinion, we will not be the great export country that we are today.

Senator POTTER. Is it not true that if we lose our merchant marine, if it continues to decline, we consequently depend upon foreign ships for our trade and they are not going to be concerned about our national economy or national defense, that we will start losing, and as any great nation, as we think of ourselves, at the height of our power, at the zenith of our power in world affairs today, that by letting our foreign commerce dwindle we can become a second-class nation without the event of war? We can do it by just allowing ourselves to become dependent upon other nations who have no particular interest in the welfare and the economy of our own country?

Mr. CARROLL. In our business, the rubber business, we have a lot of foreign competition, the British and the Italians. The American lines are able in the conferences to keep an equalization of freight rates, whereby the foreign lines from their particular countries cannot reduce them down to a point to make it very attractive and freeze the American manufacturers' goods out.

However, if you did not have that they might make the rate $50 out of the United States and $15.15 out of the United Kingdom, and you would have no way in the world to meet it.

Senator POTTER. Mr. Carroll, I want to thank you kindly for coming before us and giving us your views. I have one last question. Does the Goodyear Tire & Rubber Co. have any ships of its own?

Mr. CARROLL. No.

Senator POTTER. We are pleased today not only to have your testimony, but other representatives of industry who are shippers and who have worked closely with the shipping problem.

As the people who utilize the service, who have no direct interest in the industry itself, I think that your views will present a new side of the picture, another side of the picture. It substantiates the fact that we must depend upon our own merchant marine.

It is not right to claim that this is a bugaboo and that you are allowing a few people a windfall; it is not just a few operators or a few labor unions that are directly connected with the trade, but our whole economy is based and dependent upon the American merchant marine. So we are very happy to have your presence here today.

Mr. CARROLL. Thank you very much. It is a pleasure to come before you.

Senator POTTER. Before we recess today, I would like to read a letter into the record from the Illinois Manufacturers' Association. It is as follows:

JULY 3, 1953.

Hon. CHARLES E. POTTER,
*Chairman, Senate Subcommittee on Interstate and Foreign Commerce,*
*Senate Office Building, Washington, D. C.*

DEAR SENATOR POTTER: We understand that your subcommittee contemplates holding hearings in the immediate future on the size and composition of the American merchant marine. We respectively bring to the attention of your committee a copy of a resolution adopted by the IMA board of directors on November 14, 1952, relative to the utilization of the American merchant marine.

Your consideration and courtesy will be genuinely appreciated.

Cordially yours,

JAMES L. DONNELLY,
*Executive Vice President.*

The resolution referred to is as follows:

AMERICAN MERCHANT MARINE, UNITED STATES GOVERNMENT URGED TO UTILIZE AMERICAN MERCHANT MARINE

*Resolved*, That the United States Government be urged to utilize the American merchant marine to the greatest possible extent in the transportation of goods and commodities imported or exported by our Government. The IMA International Trade Committee is convinced such practice would not only effect economies for American taxpayers, but would also contribute to national security through the maintenance of a strong merchant marine.

USE OF AMERICAN BOTTOMS

The IMA International Trade Committee also recommends that American importers and exporters support the American merchant marine by using American bottoms for their shipments whenever they are able to do so.

Senator POTTER. That resolution is dated November 14, 1952.

The committee will be in recess until Tuesday at 10 o'clock, at which time we will hear from Mr. Gil Johnson of the Lake Carriers. That is up in my section of the country.

(Whereupon, at 12:15 p. m., the committee recessed, to reconvene at 10 a. m., July 21, 1953.)

# MERCHANT MARINE STUDIES

**TUESDAY, JULY 21, 1953**

UNITED STATES SENATE,
SPECIAL SUBCOMMITTEE ON MARITIME SUBSIDIES OF THE
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
*Washington, D. C.*

The subcommittee met, pursuant to call, in room G–16, Capitol, at 10:05 a. m., Senator Charles E. Potter, presiding.

Present: Senators Potter and Butler.

Also present: Mr. John M. Drewry, special counsel to the subcommittee.

Senator POTTER. The subcommittee will come to order. Today we have Mr. Johnson of the Lake Carriers' Association and Mr. Chubb of the Institute of Marine Underwriters. While these two organizations represented here this morning are not particularly interested in maritime subsidies, at least not as interested as those of you who have been following the activities of the subcommittee, you will realize that was one of the purposes for the creation of this committee.

We have, because of necessity, gone afield and endeavored to take a good look at the entire maritime picture. Therefore, we are most pleased to have representatives of the association and institute represented here this morning. First we will hear from the Lake Carriers' Association. Mr. Johnson, do you care to have your colleague come up with you? It is perfectly all right.

## STATEMENT OF GILBERT R. JOHNSON, COUNSEL, LAKE CARRIERS' ASSOCIATION

Mr. JOHNSON. Mr. Chairman, my name is Gilbert R. Johnson. My appearance before your subcommittee is as counsel for the Lake Carriers' Association. I am accompanied by Mr. Oliver T. Burnham, vice president and secretary of the association.

This presentation involves factual material almost entirely. I would appreciate, since Mr. Burnham is much more familiar with those matters than I, if I could have the privilege of referring matters to him, or having him join in the discussion.

Senator POTTER. You are at liberty to elaborate on the statement or answer questions in any way you see fit.

Mr. JOHNSON. Thank you, sir. The Lake Carriers' Association is an organization consisting of 45 vessel companies owning in the aggregate 333 bulk freight vessels, all of which are of United States-flag and are engaged in the transportation of iron ore, coal, limestone, grain, and other dry-bulk commodities upon the Great Lakes. Necessarily, my remarks will be confined to bulk carriers of these commodities and

should not be interpreted as applying to tankers, package freighters, or other vessels operating on the Great Lakes. Since, however, such bulk carriers transport 92 percent of the commodities moving upon the Great Lakes, the industry seems fairly representative of Great Lakes commerce as a whole.

I understand that at present your subcommittee is primarily interested in determining the capacity, composition, and condition of the existing Great Lakes bulk carrier fleet, as well as the need for future replacement and expansion requirements.

By the close of navigation in 1952, there were 571 commercial vessels engaged in the iron ore, coal, grain, and stone trades upon the Great Lakes—375 were of United States registry, while 196 were Canadian. Conservatively, the combined fleet of the United States and Canada, in 1952, represented a lifting or trip capacity of 4,410,397 gross tons. A breakdown of the vessels under United States registry in terms of gross registered tons and gross tons of carrying capacity by types and trades is as follows:

| | Number of vessels | Total gross tonnage | Carrying capacity gross tons |
|---|---|---|---|
| Conventional bulk freighters: | | | |
| Ore and coal trades (exclusively) | 69 | 543,700 | 810,750 |
| Ore, coal, and grain trades | 212 | 1,372,111 | 2,075,050 |
| Other bulk commodities | 49 | 137,397 | 210,800 |
| Self-unloading bulk freighters: | | | |
| Stone and coal trades | 40 | 240,389 | 341,807 |
| Cement and coal trades | 5 | 13,852 | 21,290 |
| Combined fleet | 375 | 2,307,449 | 3,459,697 |

Senator POTTER. Mr. Johnson, of the 196 Canadian ships, how many were sailing from an American port to an American port?

Mr. JOHNSON. As our statement will indicate a little later on, there is a great deal of international trade between the United States and Canada. Most of that trade is handled by Canadian vessels.

Senator POTTER. I know every year it has been. We always have had to extend permission to allow Canadian vessels to transport ore from American port to American port.

Mr. JOHNSON We are very happy that that special legislation was not extended this year and is not in existence at the present time.

Senator POTTER. We are happy to hear it.

Mr. DREWRY. It was not necessary?

Mr. JOHNSON. It was not necessary.

You will note there are two general classifications on this chart, conventional bulk freighters and self-unloading bulk freighters. I want to mention in connection with the first classification that for the purposes of this discussion, the commodity "iron ore" includes limestone. The conventional bulk carrier which is capable of transporting iron ore is also capable of transporting limestone, and many of them do carry limestone. That was as of the end of 1952.

Since 1952, the size of the Great Lakes fleet has been further increased by the addition of 6 vessels of United States registry. Under current plans, the end of 1953 should see 3 more new American ships commissioned, which will bring the total bulk carrier fleet as of that time to 384 vessels.

Senator POTTER. Is the trend toward more self-unloading carriers?

Mr. JOHNSON. I do not believe there has been any more in recent years than in the past.

Senator POTTER. It is determined more by the trade rather than by progress in the construction of vessels? I assume your self-unloader applies to some trades, while it would not apply to others; is that true?

Mr. JOHNSON. That is true. The self-unloader engages essentially in the coal, northbound, and limestone, southbound. Whether or not there has been any greater self-unloader capacity proportionately than bulk freighter capacity, I would like to refer to Mr. Burnham.

## STATEMENT OF OLIVER T. BURNHAM, VICE PRESIDENT, LAKE CARRIERS' ASSOCIATION

Mr. BURNHAM. I would say not. The increase in the size of the new self-unloading vessels has about paralleled the bulk boats.

Senator POTTER. It is not particularly profitable to have self-unloading vessels for iron ore?

Mr. BURNHAM. No, sir.

Mr. JOHNSON. In terms of actual tonnage delivered by Great Lakes vessels, the volumes of the past 2 years are fairly representative. By commodities, these were as follows: I would like to interline some additional data right here as follows: The figures that are given are the total figures for these commodities, iron ore, coal, stone, or grain moving over the Great Lakes. Those figures include the domestic commerce of the United States, domestic commerce of Canada, and the international commerce between the United States and Canada.

That breaks down about as follows: About 82 percent of the total commerce of these commodities is United States.

Senator POTTER. Eighty-two percent?

Mr. JOHNSON. Yes, sir. About 6 percent is Canadian domestic commerce, and about 12 percent is international commerce between the United States and Canada.

Senator POTTER. Is that international commerce primarily done by American vessels?

Mr. JOHNSON. No. As our statement shows, about 70-some percent—the exact figure appears in here—is now carried in Canadian vessels.

That table, Mr. Chairman, shows the volume of iron ore moved by Canadian vessels in 1952 and 1951. I want to clarify those figures to make certain that no one gets the impression that those quantities of iron ore were carried by Canadian vessels between United States ports. That is not the fact.

We do have the facts as to the amount of iron ore which was carried by Canadian vessels under the special legislation to which you referred. In 1951, it amounted to 556,000 tons, and in 1952, it amounted only to 102,000 tons.

Senator POTTER. The figures you have here of the iron ore moved in Canadian vessels, you say, does not include the iron ore moved from American port to American port. It is either international or domestic Canadian commerce?

Mr. JOHNSON. Most of it is international commerce, iron ore moving from Lake Superior, on our side, to the Canadian mills at Algoma,

Canadian Soo and Hamilton, Ontario, and iron ore moved from the Canadian side over to our mills.

[Net tons]

| | 1952 | 1951 |
|---|---|---|
| Iron ore [1] | 83,900,094 | 99,783,053 |
| Coal | 46,284,192 | 50,945,656 |
| Stone | 23,277,942 | 25,871,319 |
| Grain | 15,214,778 | 13,150,144 |
| Total | 168,677,006 | 189,750,172 |

[1] Iron ore moved in Canadian vessels: 1952, 5,357,950 gross tons; 1951, 5,289,853 gross tons.

So far this year, the cumulative total tonnage of iron ore, coal, and grain to July 1 is far in excess of any comparable period in the past. For example, ore shipments during this period exceed those of 1951, by 4,498,683 net tons, which may well mean that the industry is on the way toward establishing a new record by the close of navigation this year. The cumulative total tonnages for all these commodities are as follows:

[Net tons]

| | To July 1, 1953 | To July 1, 1952 | To July 1, 1951 |
|---|---|---|---|
| Iron ore | { 40,385,376<br>[1] (36,058,371) | 24,098,036<br>[1] (21,516,104) | 35,886,693<br>[1] (32,041,699) |
| Coal | 17,522,297 | 16,322,104 | 17,141,752 |
| Grain | 5,966,470 | 5,796,222 | 4,106,747 |
| Total | 63,874,143 | 46,216,362 | 57,135,192 |

[1] Denotes gross tons.

Turning now to the composition of the Great Lakes fleet, it should be pointed out that historically the construction of the United States vessels for the Great Lakes trade has had many periods of intense activity, and also long periods of no activity. As will appear from the following table, such periods have created a problem of block obsolescence.

Senator POTTER. We have that problem on the Great Lakes, too?

Mr. JOHNSON. Yes, it is rather acute, sir. You will note that 55 percent of the vessels were built in 1910 or earlier.

Senator POTTER. What do you consider the average life of a Great Lakes vessel?

Mr. JOHNSON. The physical life is undetermined, sir. If the ship is maintained and well kept up, as we think our lakes ships are, there is no telling what the physical life is, but there are changes that occur within the industry which have a bearing upon the efficiency of the vessel to perform.

Senator POTTER. I presume your older vessels are slower vessels and smaller vessels?

Mr. JOHNSON. Yes. We do discuss the contrast.

Mr. DREWRY. You touch on the question of modernization further on?

Mr. JOHNSON. Yes, we do. This table is in three parts. It is broken down between conventional bulk carriers, the self-unloading vessels, and the combination of the two.

UNITED STATES CONVENTIONAL BULK CARRIERS

| Construction date | Number of vessels | Percent of total |
|---|---|---|
| 1910 and prior | 182 | 55.16 |
| 1911–20 | 78 | 23.63 |
| 1921–30 | 30 | 9.09 |
| 1931–40 | 4 | 1.21 |
| 1941–50 | 22 | 6.67 |
| 1951–52 | 14 | 4.24 |
| Total | 330 | 100.00 |

UNITED STATES BULK SELF-UNLOADING VESSELS

| | | |
|---|---|---|
| 1910 and prior | 22 | 48.88 |
| 1911–20 | 15 | 33.34 |
| 1921–30 | 6 | 13.34 |
| 1931–40 | 0 | 0 |
| 1941–50 | 0 | 0 |
| 1951–52 | 2 | 4.44 |
| Total | 45 | 100.00 |

UNITED STATES COMBINED FLEET

| | | |
|---|---|---|
| 1910 and prior | 204 | 54.40 |
| 1911–20 | 93 | 24.80 |
| 1921–30 | 36 | 9.60 |
| 1931–40 | 4 | 1.06 |
| 1941–50 | 22 | 5.87 |
| 1951–52 | 16 | 4.27 |
| Total | 375 | 100.00 |

It is immediately apparent that over 79 percent of the United States vessels were built prior to 1920, and are now more than 32 years old. Most of these vessels carry between 10,000 and 12,000 gross tons, and were built in the period from 1905 to 1910. The hulls of many such vessels are more than 40 years old. They are, however, structually sound. These vessels are well-maintained, they are in excellent seaworthy condition, and are efficient within their li nted capacity. Actually, the longevity of a Great Lakes vessel has never been determined.

Block obsolescence, then, rather than deterioration, is the problem facing the owners of these vessels. Compared to the modern-day vessel, the 10,000-ton carrier is considerably slower and, therefore, does not make the round trip as rapidly as the new vessel, generally the difference being about 2 days. That would be about 2 and 7, which is quite an appreciable difference.

Senator POTTER. Which is shown in the earnings of the vessel.

Mr. JOHNSON. Consequently, the older vessels complete fewer trips in a season which, besides their actual capacity, is a serious limiting factor. The newer vessels of the American fleet are, of course, prime examples of modern efficiency in water transportation.

A variety of factors makes any prediction for the future extremely uncertain. Since the transportation of bulk commodities upon the Great Lakes is tied to basic industries, such as steel, the transportation industry is subjected to extreme fluctuations in the business cycle. In 1921, a total of only 68,033,575 net tons of the 4 basic commodities, iron ore, coal, limestone and grain, were carried. By 1923, the total tonnage had risen to 121,029,400 net tons. Minor

recessions were thereafter recorded in 1924 and 1927, but by 1929, the figure of 138,574,441 net tons was achieved, only to be followed by the all-time low since 1901 of 41,672,761 net tons in 1932.

Incidentally, of that total figure for 1932, iron ore accounted for only about 3½ million tons.

Mr. DREWRY. That is a good index for the depression?

Mr. JOHNSON. Yes. It was not until 1940 that the industry again achieved the volume it had attained in 1929. With World War II, and pressing defense needs, 182,731,421 net tons were carried in 1942, only to be topped by an additional 1,428,071 net tons in 1944. Thereafter, fluctuations ranging between 25 and 30 million net tons were experienced until 1951, when defense requirements brought on by the Korean conflict were met by establishing the present all-time record of 189,750,172 net tons. As previously noted, the indications are that this record may be broken by the end of 1953.

Despite the cyclical characteristics of the transportation industry, lake shipments have expanded in conformity with industrial growth in the Midwest. One should not assume from this expansion, however, that there has been a growth in either the number of vessels or the registered tonnage of vessels employed in this commerce. Actually, the record of 1951 was established with 167 fewer vessels than were available in 1923. Moreover, the registered gross tonnage of the American fleet was no greater in 1951 than in 1923, while in 1946 the registered gross tonnage of United States vessels upon the Great Lakes had declined to its lowest point since 1923.

Senator POTTER. I assume one of the reasons for that is whether you have an early season, whether the ice gets out in time to have an early season or not?

Mr. JOHNSON. That is one of the factors. Another is the speed of the vessels, the increased carrying capacity.

Senator POTTER. To shorten the trips?

Mr. JOHNSON. Yes, by reason of the larger units, new construction, and increased carrying capacity from modernization, which we discuss here later.

Mr. DREWRY. I assume there has been quite some development in the terminal facilities for loading and unloading in that period?

Mr. JOHNSON. Well, I think it is probably fair to say that in the unloading of iron ore, some of the docks are using larger units than they did, and that they are unloading, perhaps, a little more rapidly than they did 15 years ago.

Mr. BURNHAM. I would think in a few instances, but largely the unloading equipment is the same as it was.

Mr. JOHNSON. Since 1951, of course, the addition of some new vessels to the American fleet has brought about an overall increase over that of earlier years. But eventually, the necessity for retirement of many of the older ships, unless rehabilitated, will be an offsetting factor.

Canadian operators, on the other hand, have consistently added new tonnage to their fleet since 1946. In essence, since 1946, Canadian operators have added 15 new vessels to their fleet, which means that 7.6 percent of their vessels are currently less than 7 years old, while only 4.27 percent of the American vessels are of a comparable age.

Both of those figures would be changed, somewhat, by the end of this season. We will have some new ships commissioned during the season. I believe Canada, too, will have had one ship come into commission this season.

Mr. BURNHAM. We have 9 and they have 1.

Mr. JOHNSON. Moreover, Canadian tonnage by 1952 had increased by 332,149 gross tons over that of 1923, while American tonnage in 1952 was actually less than that of 1923 by 57,600 gross tons.

Consequently, the ability to meet the demands of ever-expanding industry, the defense needs of World War II, and the recent remobilization effort brought on by the Korean conflict, tasks in which the industry never fails, is attributable to two factors: (1) Additional seasonal capacity as the result of greater speed and trip capacity of reconverted and newly constructed vessels, and (2) higher lake levels permitting deeper loading drafts.

Now, there are two ways of creating additional seasonal capacity. One is to construct new vessels and, to an appreciable extent, there has been new construction over the past 15 years. But to construct today a vessel of 20,000 tons capacity which will travel at a rate of 16 miles per hour or more costs about $6 million, or $300 per gross ton of carrying capacity. This cost is 100 percent in excess of the per ton cost of the 16 vessels built during World War II by the Maritime Commission and purchased by Great Lakes operators, and about 3 times greater than the 1920 cost. Thus, while new vessels have appeared upon the lakes since 1951, the high construction costs of these vessels are a serious deterrent to any long-range building program under current conditions. It should be pointed out that the operators of Great Lakes vessels have never received either construction or operating subsidies from the United States and have always been most firmly opposed to any policy which will result in subsidization of their vessels.

The second method is to modernize existing vessels. A vessel of 10,000-tons carrying capacity, built at an average cost of $326,000 in 1950, may be modernized by the replacement of boilers and engines, together with other improvements at a cost of not less than $1 million. If this vessel is then capable of completing 10 additional trips in a season, her seasonal capacity will be increased by 100,000 gross tons, but at high cost to obtain such additional seasonal capacity.

Many of the older vessels are physically suited for such reconditioning and modernization. Once modernized, these vessels will be economically useful for many years, and 35 vessels have been so reconditioned, but in view of the cost of such modernization and cyclical variations in the industry, there is a natural reluctance in undertaking extensive rehabilitation programs as conditions now stand.

The depth of available water in Lake Erie and connecting rivers of the Great Lakes places a practical limitation upon the trip capacity of the Great Lakes fleet. In recent years, lake levels have been high, permitting all but the most recently constructed vessels to load to maximum draft fixed by law. Should lake levels recede, however, trip capacity and hence seasonal capacity will be materially reduced. In such an event, additional capacity in an individual vessel is meaningless. Consequently, unless the connecting channels are deepened, the loss of vessel capacity through lowering water levels will have to be overcome through new capacity.

36174—53—pt. 1——37

While in the past 25 years iron-ore tonnage has increased by 54 percent, coal by 64 percent, grain by 8 percent, and stone by more than 100 percent, it would not be realistic to assume that the rate of growth of the past 25 years will continue, but increased emphasis can be expected upon trade between Canadian and American ports on the Great Lakes. In 1952, the international commerce between the two countries upon the Great Lakes—that is, of these particular commodities we are talking about—was 20 million net tons, compared to 17 million net tons in 1949. It is anticipated that Canadian mines in the future will be an important source of iron ore.

Canadian industry is expanding and should require greater quantities of American coal and limestone. In time, all factors indicate that the ever-expanding commerce between the United States and Canada will absorb to a large extent the resources of the transportation industry.

It should be realized, however, that in 1949, Canadian vessels were already transporting 78 percent of the commerce between the United States and Canada, whereas following World War I, American vessels carried 82 percent of this trade. The competitive picture does not look advantageous to the American operators.

A Canadian vessel operates at a cost of less than 60 percent of that which is required to operate a comparable American vessel. But Canadian vessels, even so, are not the most serious concern of American vessel operators. For many years, to a greater or lesser degree, European vessels capable of navigating St. Lawrence River have entered the Great Lakes and engaged in trade between the United States and Canada. Last year 2 vessels of European registry completed 11 trips in the grain trade between Fort William, Ontario and Chicago-Milwaukee. Again this year, European-flag vessels are engaging in this trade which has always been carried by Canadian and United States vessels.

Mr. DREWRY. How large are those vessels?

Mr. JOHNSON. St. Lawrence River-size, about 250 feet, about 43-foot beam. For the upper lakes, where they have no depth limitations, they can load to their full drafts. They probably carry upward of 3,000 tons; would you not say?

Mr. BURNHAM. They have been carrying 80,000 bushels of rye in the cargo. That is about 2,800 tons.

Mr. DREWRY. Also trading to Europe?

Mr. JOHNSON. Yes.

Senator POTTER. You have pulp ships come in quite extensively; do you not?

Mr. BURNHAM. That is true. A bit of woodpulp comes in from Scandinavia, particularly to Michigan ports.

In the Lake-European grain trade, there have been three vessels so far this year which have lifted grain for Norwegian delivery direct.

Senator POTTER. I was interested in the prior statement you made about the depth of the connecting rivers. What is that now—25-foot depth?

Mr. JOHNSON. Yes. The project depth is 25 feet. That is the maximum.

Senator POTTER. Our water levels have been high for the last couple of years. As a matter of fact, it has caused a lot of property damage because of the high water, as I understand it, and that it is receding,

now. What depth do you think would be necessary so that you could load your ships to full capacity, even when the water level has receded? Are you interested in 27-foot?

Mr. JOHNSON. I am sure that our people would take the position that it should be at least 27 feet.

Senator POTTER. Is there not legislation under consideration now to deepen those connecting channels?

Mr. JOHNSON. To take the first step, one of the Senate appropriation bills authorizes an appropriation of $100,000 for the Corps of Engineers to make a resurvey of these projects. The House bill did not carry any such appropriation. Of course, that bill, as I understand it, is now in conference and the outcome is uncertain.

Senator POTTER. How have the oceangoing-type vessels that have been converted for lake use worked out?

Mr. JOHNSON. I think I would like to refer that question to Mr. Burnham.

Mr. BURNHAM. I think that they have worked out satisfactorily, but it should be recognized that with one exception they will carry only about 14,000 tons per cargo, compared with 20,000 for the newly built lake ships.

Senator POTTER. Why is that? Do they cut down on the length of the ship?

Mr. BURNHAM. It was considered that that apparently was the largest size they could use. There is one exception. The steamship *Joseph H. Thompson*, which came to the lakes in 3 parts and was joined, is 714 feet in length, and is the longest exclusively freight vessel in the world.

Senator POTTER. How many tons will that carry?

Mr. BURNHAM. That will carry about 98,500, provided it can get full draft, which it has not been able to do thus far.

Mr. DREWRY. That was one of the C–4's?

Mr. BURNHAM. Yes, sir.

Senator POTTER. Are they more expensive to operate than a regular lake vessel?

Mr. BURNHAM. Well, they are higher powered, so I suppose that would increase their operating costs.

Senator POTTER. I assume they are also a faster ship?

Mr. BURNHAM. Yes, that is true, at full power.

Mr. JOHNSON. Because of their higher construction and operating costs, United States vessels are unable to compete either with Canadian or European vessels.

Mr. DREWRY. You spoke of the cost of construction of American vessels. Do you have any figures on the present-day cost of construction in Canada?

Mr. JOHNSON. Of a comparable vessel?

Mr. DREWRY. Yes.

Mr. JOHNSON. Do we, Mr. Burnham? Mr. Burnham says that a recently constructed and completed Canadian vessel cost about $4.5 million.

Senator POTTER. And it would cost us how much?

Mr. BURNHAM. About $6.5 million.

Mr. JOHNSON. That ratio of 60 percent would just about hold on not only an operating cost, but a construction cost, too. There is little hope that United States operators will ever be able to recapture

that commerce which has now been taken by Canadian vessels, but United States vessel operators do desire to maintain at least their present competitive position.

Senator BUTLER. If we have the so-called seaway and shallow-draft European vessels are brought right into the very heart of America and take the traffic that would ordinarily go to American railway and other forms of transportation, how are you ever going to hold your position? Have you thought about that?

Mr. JOHNSON. Yes.

Senator BUTLER. What is the answer to it?

Mr. JOHNSON. Well, would you please let me complete the last two paragraphs?

Senator BUTLER. Yes. I would like very much to know the answer. The way it is contemplated, we cannot get 1 or 2 percent of our shipping in it. The shallow-draft European vessels will come right into the heart of America and preempt a lot of the trade and walk away with it. You are not going to hold your position that way.

Mr. JOHNSON. We say that in the next two paragraphs.

From the foregoing discussion, it will appear that the United States operator on the Great Lakes is faced with three problems: (1) In the domestic trade, he must replace existing vessels and enlarge his overall vessel capacity to meet expanding needs of the users of these essential bulk commodities; (2) he must compete with a rapidly growing Canadian fleet in the transportation of these commodities between the two countries and (3) he is threatened with the even more devastating competition of European-flag vessels in this commerce between the United States and Canada.

Of one thing the people may be certain. The ingenuity and enterprise of the United States vessel owner will carry him a long way, as it has in the past, in maintaining the fleet necessary to meet our national needs in times of war and peace. Some factors in foreign competition are not reachable; however, through business ingenuity and enterprise and, if there is to be an adequate privately owned United States fleet on the Great Lakes in the years to come, it is perfectly plain that more encouragement than now exists must be accorded in our laws.

Senator POTTER. Senator Butler, do you have any questions?

Senator BUTLER. No, I have not heard enough of the testimony to know about it. It seems to me that you boys are in for some very steep competition if that seaway is ever completed.

Mr. JOHNSON. We rather think so.

Senator BUTLER. Not only steep competition, but you are going to be pushed, and I really mean you are going to be pushed.

Senator POTTER. What is the depth of that seaway?

Senator BUTLER. Twenty-seven feet. You cannot get 2 percent of the American-flag ships up that sort of a canal to save your soul, or whatever they are going to make it.

Mr. JOHNSON. The thing that we have to remember at the outset, though, is so far as the lake trade is concerned and the transportation of iron ore, limestone, coal, and grain, between the United States and Canada, you are dealing with a specially constructed ship. The average vessel will not do you any good. The average ocean dry-cargo vessel, general freight vessel, is not suited at all for that

trade. She has to be completely reconverted, as they had to do with the C–4's.

Here is the thing of it: This trade between the United States and Canada is increasing year after year. In the aggregate, right now, we give the figures on the total of these commodities I have mentioned, last year it was probably more than 25 million tons.

That business, under Canadian law, and under United States law, is open to anybody. There is some feeling among our people that that business is of such magnitude, or would be of such magnitude, to attract the European operator to build specially designed vessels to take care of that trade. If he comes in there, obviously——

Senator BUTLER. With his cheap vessel, cheap material, and everything else, you are out of luck.

Mr. DREWRY. That would be in trade on the Great Lakes itself, not trade between the Great Lakes and Europe?

Mr. JOHNSON. No; we are only talking about the threat to this Great Lakes trade.

Senator BUTLER. There is no question but what the shallow-draft European tramps would be in and out of there taking our grain. You would not have an ounce of grain shipped out of the eastern seaboard. It would go from the lake ports directly abroad. Do you have any doubts about that, if we put a seaway in there?

Mr. JOHNSON. I have thought about that over the years. I am not so sure that all of the grain would go more directly from lake ports. There are other factors in there.

The average oceangoing ship getting into the lakes will lose part of her efficiency, and I don't care whether she goes through the present St. Lawrence Waterway, or a larger St. Lawrence Waterway. It could be that grain could move to the seaboard in the present facilities, that is, both ship and rail facilities. So, I would not want to express a categorical view on that particular point.

Senator BUTLER. It certainly poses a very serious problem; does it not?

Mr. JOHNSON. Well, we think that when that time comes, the Congress will have to think about it, if in time of war and peace the Congress wants to make sure that we have a fleet that is capable of moving these essential commodities on the Great Lakes.

Senator POTTER. Has the Lake Carrier's Association done any serious thinking about their replacement program?

Mr. JOHNSON. The association, as such, of course, does not get into matters of that kind.

Senator POTTER. Or the industry, as such?

Mr. JOHNSON. As my statement shows, there are 35 vessels which have been converted. They are very fine, modern ships.

Senator POTTER. What is the possibility of reestablishing—I realize this is out of your field, to a certain extent—package freight on the Great Lakes again?

Mr. JOHNSON. Yes; that is out of my field. But I am getting to be something of an old-timer around the lakes now. My own personal view is that the prospects are rather dim.

Senator POTTER. Why is that?

Mr. JOHNSON. I think the motor carrier has the advantage. He takes the goods right at the producer's door to the door of the con-

signee, whereas if the goods were to move by water, you have a trucking operation to the piers, you have a handling charge at the piers, and you have the same thing at the other end.

I would venture to say that those cost factors probably would be too great to make the package-freight trade a good investment.

Mr. DREWRY. Do you know of any studies or any projects that might have been started or thought about on the lakes to use the van-type of container, where they lift on a truck chassis, or lift it off onto the boat, and then at the other end back onto the chassis, instead of handling it in package lots?

Mr. JOHNSON. I, personally, am not familiar with that. Maybe Mr. Burnham knows something about that.

Mr. BURNHAM. Some years ago, immediately prior to World War II, there were studies made of such a type of container by a man who is now dead.

Mr. DREWRY. That was Latham Smith?

Mr. BURNHAM. That is right.

Senator POTTER. I wish to thank you kindly for taking the time to come down and give us the benefit of your views. It is refreshing, Senator Butler, to have somebdoy from the Great Lakes area.

Mr. JOHNSON. Mr. Chairman, we appreciate very much the opportunity to come here.

Senator POTTER. We will hear from Mr. Chubb, representing the American Institute of Marine Underwriters.

Mr. Chubb, we are pleased to have you here and will be interested to hear your testimony.

## STATEMENT OF PERCY CHUBB, THE AMERICAN INSTITUTE OF MARINE UNDERWRITERS

Mr. CHUBB. My name is Percy Chubb. I am a partner in the firm of Chubb & Son, which is engaged in the business of insurance underwriting, and I am also president of the Federal Insurance Co., a private New Jersey corporation, actively engaged in the field of marine insurance.

I would like to present to the committee a statement outlining the functions which the American marine insurance market plays in the national economy and the benefits it produces for the American merchant marine and for American foreign trade generally. I would also like to comment on the present-day position of the American marine insurance market and to point out certain problems which it faces at the governmental level.

At the outset, let me define the term "American marine insurance market." The American marine insurance market is a complex made up of:

(*a*) Insurance companies operating in the United States. The preponderance of these companies are American corporations, owned by American citizens, but there are likewise substantial numbers of United States branches of foreign corporations, mostly British, licensed to do business by the several States, operating under American laws and regulations, maintaining American assets, employing American staffs, and paying American taxes;

(*b*) Insurance agents, representing the companies for marine business in various localities throughout the country, with authority to

accept risks, disburse certain types of losses, and disseminate information on marine insurance in their areas of operation;

(*c*) Marine insurance brokers, who are trained specialists in the insurance requirements of maritime ventures and who have expert knowledge of the various competitive channels through which marine insurance may be purchased;

(*d*) Technical organizations, such as surveyors, loss appraisers, and average adjusters, who are trained professionals competent to deal with the complexities of providing equitable indemnity for maritime loss.

The importance of a strong marine insurance market to the national economy in general and to the foreign trade of the United States in particular has been recognized by the Congress over a period of years. A summary of legislation and committee action bearing on these points will be filed with the committee as a part of this statement.

Broadly speaking, an American marine insurance market is essential to American foreign trade for two reasons. First, private enterprise, capital investment, and credit are the lifeblood of foreign trade. Private enterprise cannot be expected to expose its resources to maritime perils without the protection of adequate insurance. In a world of international unsettlement, American insurance, backed by American resources, payable in dollars, and not subject to control by any foreign government, is the highest type of security to which such enterprise could aspire.

Second, the existence of a strong American marine insurance market is a guaranty to American shipowners and to American foreign traders that they will not be subject to discrimination or excessive charges for marine insurance on a nationalistic basis dictated by the interests of foreign insurance markets. The only strong marine insurance market outside of the United States today lies in Great Britain, and it is factual that by reason of the existence of a strong American marine insurance market, American shipowners and American exporters in many trades receive more favorable treatment than is available to nationals of many other nations.

In addition, in time of major crises marine insurance can become an instrument of national policy; for example, in the control of illicit or contraband trade. The history of World War II has proved that the voluntary cooperation of an American marine insurance market can place this weapon in the hands of the United States Government, rather than in the hands of other nations.

In discussing the present-day position of the American marine insurance market, I would like to point out the cardinal fact that this market is a dynamic and growing one rather than a static one. Prior to the First World War, the American marine insurance market was very limited and was to a considerable extent dependent on and dominated by facilities outside of the United States.

Shortly after that war, Congress enacted, as section 29 of the Merchant Marine Act of 1920, permissive legislation which, for the first time, enabled the American market to meet effectively the competition of Lloyd's and other elements of the British market.

This act has been the cornerstone of the development of the American market. During the period between the two world wars, a steady evolution and development of the market served largely to rectify its earlier weakness, and by the time of the outbreak of World

War II, the American market was in a position to provide, of itself, full facilities for American foreign trade in the hazardous field of war-risk insurance. Since the close of World War II, there has been further growth which I might evidence by citing two instances:

1. There is currently insured in the American market something over $13 million on a single vessel, the liner *United States*. I believe this is 2 or 3 times as great an amount of insurance as could have been placed here on a single vessel 10 years ago.

2. The American market is becoming recognized worldwide as a vital factor in the marine insurance field. For example, 20 percent of the insurance on the Cunard Steamship Line fleet, headed by the superliners *Queen Elizabeth* and *Queen Mary*, is currently insured in the United States.

I would further like to stress that this growth has taken place without benefit of any governmental subsidies or any governmental protection, and at a time of great competition and low margin of profit.

I have just touched upon the fact that the American market has developed without the benefit of Government aids or protection. I would like to stress at this point that it is the considered and established policy of the market to stand on its own feet. It has never urged legislation of a nationalistic nature and, indeed, has used its influence in the opposite direction. For example, hearings were held by the insurance department of the State of New York in October 1951 looking toward a regulation which would have made it unlawful for brokers to place marine insurance on yachts, fishing vessels, and certain types of harbor and other craft in foreign insurance markets. Such a regulation would undoubtedly have served to lessen the competition with which American marine underwriters are faced. At these hearings, however, the American Institute of Marine Underwriters appeared in opposition and filed a brief opposing the proposed regulation. In this brief, the institute took the position that—

> marine insurance on vessels and their cargoes is essentially international in character * * * and should, therefore, to the greatest extent possible, remain free and unfettered by local restrictions.

Following these hearings, the proposed regulation died.

Senator POTTER. I assume you have to be careful of legislation of that kind because other nationals would enact legislation of their own?

Mr. CHUBB. And some of them have. That is the precise point. We are fighting everywhere we can to make them have a free trade in insurance because we think we can stand on our own feet. We do not want our own Government or States to set up legislative carriers that we are fighting elsewhere. We want to go in and prove our stuff.

Senator BUTLER. We have instances of that on a national basis from time to time in various industries.

Mr. CHUBB. That is right. While asking no favors for itself, however, the American market has vigorously requested the Government to use its influence against discriminatory practices by other governments. The Association of Marine Underwriters of the United States has undertaken discussions with the Department of State leading to a decision by the Department to endeavor to include a provision along the following lines in commercial treaties hereafter negotiated:

> Neither party shall impose any measure of a discriminatory nature preventing or hindering the importer or exporter of products of either party from obtaining marine insurance on such products in companies of either party.

I might say parenthetically that has been successfully put in the new treaty just negotiated with Japan.

Senator BUTLER. We have a number of them on the Executive Calendar which will come up today.

Mr. CHUBB. It is in the Japanese Treaty, I know.

Senator BUTLER. We have 5 or 6 of them.

Senator POTTER. Yes, we do. Have you found the State Department quite cooperative?

Mr. CHUBB. I was just going to come to that in my statement, if I may. The answer is, it is increasingly cooperative.

In addition, the American market has endeavored through the International Chamber of Commerce, and through the United Nations to establish the principle of nondiscrimination. American insurance interests, operating in this manner, played an important part in bringing about the adoption by the Economic and Social Council of the United Nations of the following resolution:

> The Economic and Social Council, * * * requests the governments to adopt insofar as possible a policy of nondiscrimination in transport insurance, and to permit the placing of transport insurance on the most economic basis.

and of a further resolution, instructing the Secretary General to bring to the attention of GATT and of the International Monetary Fund the problem of discrimination of this nature, with a view to examination of the possibility of achieving some relaxation of controls. While these resolutions do not in the view of American underwriters fully meet with the issues involved, they are a step in the right direction and are indicative of the established policy of the American market.

In conclusion, I would like to touch upon the two current problems with which the American marine insurance market is faced at Government level.

The first of these lies in the area just referred to, namely, that of discrimination on the part of foreign governments. As examples of this problem, I would like to cite the following: The Iranian decrees of December 8, 1946, and May 31, 1947; the Argentine law of June 13, 1947; and the Colombian Decree 2730 dated October 31, 1952. The effect of each of the foregoing enactments is to materially restrict the freedom of marine insurance on the foreign trade of those countries and to require its placement in the market of the enacting nation. In addition, I would like to draw your attention to the report of the sixth session of the Transport and Communications Commission of the United Nations Economic and Social Council, February 2, 1953, outlining the finding of the inevstigations made by the United Nations in their field.

That was the source material that caused the Council to pass these resolutions that I have referred to. An exhaustive study was done restricting the policies of the various nations.

The American market has been heartened by a change in the attitude of the State Department on this problem, from one of passive resistance to the position which we have advocated, to one of understanding and cooperation. In certain nations, however, the forces of discrimination are entrenched so strongly that it will take vigorous and zealous action on the part of our Government to overcome the vested interest.

American marine insurers have also been most heartened by such developments as the recent interest expressed by the chairman of this committee in his letter to the Secretary of State, summarized in a press release of July 2, 1953, expressing congressional interest and support of the position which we have long advocated.

Senator POTTER. What countries do you refer to where discrimination is so well imbedded?

Mr. CHUBB. I think the worst 3 offenders are the 3 I have just cited, and others through currency controls which may or may not cause difficulty. We would submit a summary to you in some detail if you would care to have it.

Senator POTTER. I would like to have that. Without objection, it will be made a part of the record at this point.

(The material referred to is as follows:)

BIGHAM, ENGLAR, JONES & HOUSTON,
*Washington, July 22, 1953.*

JOHN M. DREWRY, Esq.,
*Counsel, Special Subcommittee on Maritime Subsidies,*
*Senate Committee on Interstate and Foreign Commerce,*
*Senate Office Building, Washington 25, D. C.*

DEAR MR. DREWRY: During Mr. Percy Chubb's testimony before your committee yesterday, Senator Potter requested us to submit a list of foreign discriminatory laws and regulations concerning marine insurance.

In compliance with Senator Potter's request I enclose copy of a report by the Secretary General of the United Nations entitled "Discrimination in Transport Insurance" and designated E/CN.2/139, dated December 23, 1952. On pages 34 to 47 inclusive of the report you will find an appendix setting forth discriminatory laws and foreign exchange regulations in force in various countries.

Since that appendix was prepared, Colombia has made its discriminatory regulations more drastic. Resolution No. 11 of August 11, 1952, issued by the Exchange Registry Office, approved by the National Government of Colombia by means of Decree 2730 dated October 31, 1952, provides that the Exchange Registry Office will only authorize import registration certificates on an f. o. b. basis, that is, for the net price of merchandise placed on board at the port of shipment, excluding the expense of insurance and freight, and further provides that the Exchange Registry Office will not authorize remittances for the payment of insurance premiums on merchandise covered by import registration certificates issued on an f. o. b. basis inasmuch as this type of insurance should be purchased in Colombian currency from insurance companies legally established in that country. This resolution makes it impossible for the American exporter or the Colombian importer to place the insurance on the merchandise in the American marine insurance market.

Very truly yours,

ROY LEIFFLEN.

## DISCRIMINATION IN TRANSPORT INSURANCE

UNITED NATIONS ECONOMIC AND SOCIAL COUNCIL, TRANSPORT AND COMMUNICATIONS COMMISSION, FEBRUARY 2, 1953

Report by the Secretary-General

### I. INTRODUCTION

1. The question of discrimination in transport insurance was placed on the agenda of the fifth session of the Commission at the request of the International Chamber of Commerce (ICC).

2. The Commission by its resolution 12 noted the statement on the problem submitted by the ICC (E/CN.2/NGO/5) [1] and expressed the opinion that measures requiring the insurance of goods in international trade to be placed in particular markets may interfere with the free flow of international trade and encourage the growth of retaliatory measures. It requested the Secretary-General to conduct

[1] It also considered a memorandum from the Swedish Government (E/CN.2/115) on the subject.

a further study to determine the extent to which these restrictions are being applied, and their impact on international trade, with a view to determining what steps can usefully be taken by the Commission. It recommended to the Economic and Social Council that it request the governments to adopt insofar as possible, a policy of nondiscrimination in transport insurance, and to permit the placing of such business on the most economic basis.

3. The Economic and Social Council at its Thirteenth Session (Geneva, July–September 1951) considered the report of the Commission (Fifth Session) and passed resolution 379 G (XIII), which reads as follows:

"*The Economic and Social Council,*

*Referring* to resolution 12 of the Transport and Communications Commission on the subject of discrimination in transport insurance,

*Requests* governments to adopt insofar as possible a policy of nondiscrimination in transport insurance, and to permit the placing of transport insurance on the most economic basis."

## II. Action Taken by the Secretary General

### Information received from members of the United Nations

4. The Secretary-General drew the attention of the Members of the United Nations to the above-mentioned resolution of the Economic and Social Council and also forwarded to them copies of resolution 12 of the Commission. Some governments which have replied to the communication of the Secretary-General have commented on the resolutions contained in it. These were the Belgian, Pakistani, Thai and Turkish Governments. The Belgian Government stated that maritime insurance, including the insurance of goods, is subject to no restrictions in that country and that in consequence it supports the resolution of the Economic and Social Council. The Government of Pakistan stated that no discrimination is practised against any foreign insurer in the matter of transport insurance in Pakistan. The Government of Thailand stated that it has been its practice to adopt a policy of nondiscrimination in transport insurance. The competent Turkish authorities agreed with the resolution of the Economic and Social Council. In addition to their foregoing comments, the Belgian and Turkish Governments forwarded memoranda on this question, the contents of which are contained, respectively in Annex I and II hereto.

### International organizations consulted

5. The Secretary-General's consultation covered the following international organizations:

The International Civil Aviation Organization (ICAO)
The General Agreement on Tariffs and Trade (GATT)
The International Institute for the Unification of Private Law
The International Chamber of Commerce (ICC)
The International Co-operative Alliance (ICA)
The International Union of Marine Insurance (IUMI)
The International Air Transport Association (IATA)
The International Union of Railways (UIC)
The International Road Transport Union (IRU)
The International Rail Transport Committee (CIT)
The International Union of Aviation Insurers (IUAI)
The Hemispheric Insurance Conference
The Committee for Coordination and Drafting of the National Professional Insurance Enterprises of Western Europe [2]

6. The question of discriminatory practices in the transport insurance field is naturally of primary concern to the shippers and insurers. The ICC, representing business in general, and the International Union of Marine Insurance (IUMI), representing the interests of the insurers, have been the international bodies most directly concerned in supplying information to the Secretary-General. The memorandum by the ICC, appended as Annex III, was drawn up by the ICC with the assistance of the IUMI and can therefore be taken as representing the views of the IUMI as well as those of the ICC. It contains a description of various kinds of discrimination which shippers and insurers have encountered, an

[2] Comité de coordination et de redaction des entreprises professionnelles nationales d'assurances d'Europe occidentale.

account of their effect on world trade and certain recommendations, upon all of which comments will be fouud hereafter.

7. The ICAO replied to the enquiry of the Secretary-General that it did not then have, nor did it expect to have, information which would measure the extent to which the restrictions referred to affect the insurance of goods carried in aircraft and what is their impact on this aspect of international trade. It had however, passed the enquiry to the International Air Transport Association (IATA) and the International Union of Aviation Insurers (IUAI) with the suggestion that these bodies should communicate directly with the Secretary-General should they have any views or information to impart. As a result, a reply was received from the IUAI.

8. Relevant information communicated by the other organizations listed above is contained in Section V below.

## III. Discrimination, Its Extent and Its Impact on International Trade

### DEFINITION OF DISCRIMINATION

9. The Commission did not, at its fifth session, attempt to define "discrimination in transport insurance." From the memorandum [3] of the Swedish Government and those submitted by the ICC [4] it would seem that discrimination in transport insurance occurs when a country puts foreign insurers in a less favourable position than its domestic insurers either by direct or indirect means.

10. According to the attached memorandum of the ICC the discriminatory practices complained of are intended to, or are applied so as to favour domestic insurance industries. They fall under five main groups, as follows:

(1) Laws and regulations which compel the insurance on goods entering or leaving a country to be affected by a contract in the domestic insurance market, and which have as their sole purpose the supplying of the national insurance market.

In this category may be included the practice of incorporating in commercial treaties between countries clauses having the effect, if applied by either party, of reserving the whole of the transport insurance on goods exchanged under the agreements to the domestic insurance companies of the signatories.

(2) Discriminatory taxation of insurance contracts entered into between nationals and foreign marine insurance companies;

(3) Discrimination practised through the control of foreign exchange;

(4) Practices designed to discourage the admission of foreign insurance companies to do business in a country in competition with domestic companies, such as a requirement that a proportion of the capital be owned by nationals or that the managerial offices be held by nationals;

(5) Distrimination practised in connexion with nationalization of insurance industries.

### THE EXTENT TO WHICH RESTRICTIONS IN TRANSPORT INSURANCE ARE BEING APPLIED

11. The Commission, in its resolution 12, requested the Secretary-General to conduct a further study to determine the extent to which restrictions in transport insurance are being practised. As was stated above, the Secretary-General drew the attention of Members of the United Nations to the above-mentioned resolution, a copy of which was enclosed with his memorandum to them. The small number of comments received from governments bearing upon this aspect, does not permit a comprehensive picture. Accoiding to information obtained, no restrictions are practised in Belgium, Pakistan, and Thailand. In Turkey the general rule, applied as far as possible. is that insurance for foreign shipments must be placed in Turkey, a policy which would appear to fall within the first category of these practises which the ICC considers to be discriminatory. The competent Turkish authorities note, however (see Annex II), that Turkey could eventually permit full freedom for the merchant to seek the insurance market of his choice, were countries with whom she trades to repeal their statutory restrictions on transport insurance.

12. The memorandum [5] circulated to the members of the Commission at its fifth session at the request of the Swedish Government contains some data as to countries which are said to impose restrictions.

[3] Document E/CN.2/115.
[4] Document E/CN.2/NGO/5 and Annex III hereof.
[5] E/CN.2/115.

13. The ICC in the annex to its memorandum, has included as examples information on the legislation or control policies of twelve countries which it considers indulge in practices which militate against the free placement of marine insurance. The examples are not intended to be exhaustive. The memorandum of the ICC was drawn up with the aid of the IUMI and it would appear that the national insurance bodies represented in that Union, or a majority of them, are of opinion that restrictions are widely practised.

14. In addition to the above information it may be possible to infer from the actions of various other international organizations the extent to which restrictions in transport insurance are being practised. Thus the fact that the Organization for European Economic Co-operation (OEEC)[6] found it necessary to include insurance transactions in its Code of Liberalization may be construed as showing that member countries had imposed restrictions on such transactions and that a need was felt to liberalize them as far as possible.

15. It would seem from a study of available data that the inference may be drawn that restrictions in transport insurance, whether direct or indirect, are widespread geographically. As to the extent to which direct and indirect restrictions are prevalent and the respective importance of each—

(*a*) Evidence has been produced showing that there exist in a number of countries laws and regulations imposing restrictions on transport insurance. The examples quoted by the ICC, in a list which is not intended to be exhaustive, embrace eight countries. In addition to the countries mentioned in this list, it has been stated elsewhere that three others[7] practise restrictions.

(*b*) It is difficult to establish the extent of discrimination practised through the control of foreign exchange since it appears that this may often be a case of the practical administration of certain regulations, the primary purpose of which should be to protect the balance of payments.

### THE IMPACT OF DISCRIMINATORY PRACTICES ON INTERNATIONAL TRADE

16. Another point on which the Commission in its resolution 12 requested the Secretary-General to conduct a further study is the impact of discriminatory practises on international trade. The memorandum of the ICC deals with this question in detail and the facts stated therein have been supported by various experts in the field who were consulted during researches by the Secretariat. They are also partially stated in the memorandum circulated to the Commission at its fifth session at the request of the Swedish Government. To summarize the position, the ICC claims that these practises affect international credit arrangements, result in higher insurance costs which are passed on to the consumer, interfere with the old established customs of trade and often lead to retaliatory measures. In addition to the facts mentioned by the ICC, it may be stated that in as much as discriminatory practises interfere with the customary insurance method of spreading the risk as widely as possible, not only within countries but between countries, they affect the whole mechanism of insurance internationally and tend also in this way to drive insurance premiums up.

17. The ICC has produced no evidence, nor has the Secretary-General's study revealed that discriminatory practises, as reards the insurance of goods, affect the various means of international transport directly although, of course, to the extent that they hamper or reduce international trade generally, they must ultimately have a harmful effect on international carriers.

## IV. International Legislation Against Discrimination in the Fields of Commerce and Transportation

18. It is of interest to note the provisions concerning discrimination in various recent international conventions and agreements dealing with commerce and transportation.

### HAVANA CHARTER FOR AN INTERNATIONAL TRADE ORGANIZATION (HAVANA, 1948)

19. While the Havana Charter is not in force, not having been ratified by governments, it may be recalled that The General Agreement on Tariffs and Trade (GATT), concluded 30 October 1947, specifies in Article XXIX entitled "The Relation of this Agreement to the Havana Charter" which in an amended form came into force as between all the Contracting Parties on 24 September 1952:

[6] See par. 26 below.
[7] See paragraphs 11 above and 34 and 37 below.

"1. The contracting parties undertake to observe to the fullest extent of their executive authority the general principles of Chapters I to VI inclusive and of Chapter IX of the Havana Charter pending their acceptance of it in accordance with their constitutional procedures."

Furthermore, in several resolutions, the Economic and Social Council recommended to Governments that their actions should be based on, or be consistent with, the principles set forth in the Havana Charter, as for instance in Resolution 298 D (XI) "Barriers to the International transport of goods," 373 (XIII) "Procedures for inter-governmental consultations on problems of primary commodities" and 375 (XIII) "Restrictive business practices."

Chapter V, Articles 46–54 of the Havana Charter deals with restrictive business practices on the part of private or public commercial enterprises.

Article 46.1 provides that "each Member shall take appropriate measures * * * to prevent on the part of private or public commercial enterprises, business practices affecting international trade which restrain competition, limit access to markets, or foster monopolistic control, whenever such practices have harmful effects on the expansion of production or trade. * * *" Among the practices are:

"2. (b) excluding enterprises from or allocating or dividing, any territorial market or field of business activity, or allocating customers, or fixing sales quotas or purchase quotas;

"(c) discriminating against particular enterprises;

"(g) any similar practices which the Organization may declare, by a majority of two-thirds of the Members present and voting, to be restrictive business practices."

20. Chapter V applies mainly to products but in Article 53 the members recognize that insurance is one of the services which are "substantial elements of international trade and that any restrictive business practices by enterprises engaged in these activities in international trade may have harmful effects similar to those indicated in paragraph 1 of Article 46." Article 53 sets forth a special procedure whereby a member which considers that its interests are seriously prejudiced by restrictive business practices on the part of the private or public enterprises of another member engaged in inter alia insurance, may submit a written statement to the latter explaining the situation. If no adjustment can be effected between the members the matter may be referred to the International Trade Organization (ITO), which will refer it with comments to the appropriate international organization, if one exists, or deal with the matter itself.

21. As has been mentioned above, the provisions of Chapter V refer to private or public commercial enterprises and not to governments. Governmental measures are covered in Articles 13, 29, and 54 of the Havana Charter. Article 13 recognizes "that special governmental assistance may be required to promote the establishment, development or reconstruction of particular industries * * * and that in appropriate circumstances the grant of such assistance in the form of protective measures is justified." At the time same the members recognize "that an unwise use of such measures would impose undue burdens on their own economies and unwarranted restrictions on international trade and might increase unnecessarily the difficulties of adjustment for the economies of other countries." By Article 29 the members undertake that their state enterprises shall act in a manner consistent with general principles of nondiscriminatory treatment prescribed in the Charter for governmental measures affecting imports or exports by private traders. Whi e Chapter V is not to be interpreted so as to prevent the adoption or enforcement of any governmental measures insofar as they are specifically permitted under other chapters of the Havana Charter, Article 54 states that the Organization may "make recommendations to members or to any appropriate inter-governmental organization concerning any features of these measures which may have the effect indicated in paragraph 1 of Article 46."[8]

### CONVENTION ON THE INTER-GOVERNMENTAL MARITIME CONSULTATIVE ORGANIZATION (GENEVA 1948)

22. Amongst the purposes of the Organization as set out in Article 1 of the Convention (which has not yet come into force) are the following, which might indirectly have a bearing on the treatment of discrimination:

"(b) To encourage the removal of discriminatory action and unnecessary restrictions by Governments affecting shipping engaged in international trade so as to promote the availability of shipping services to the commerce of the world

[8] See paragraph 19 above.

without discrimination; assistance and encouragement given by a Government for the development of its national shipping and for purposes of security does not in itself constitute discrimination, provided that such assistance and encouragement is not based on measures designed to restrict the freedom of shipping of all flags to take part in international trade.

"(c) To provide for the consideration by the Organization of matters concerning unfair restrictive practices by shipping concerns * * *."

23. It will be noted that here mention is made of restrictions imposed by governments as well as restrictive practices by shipping concerns. The Convention provides that cases of unfair restrictive practices by shipping concerns which cannot be settled through the normal process of international shipping business, provided they have first been the subject of direct negotiation between the members concerned, may be considered by the Inter-Governmental Maritime Consultative Organization (IMCO). The Organization may also consider and make recommendations on cases of discriminatory action by governments remitted to it by members or inter-governmental organizations.

#### THE ECONOMIC AGREEMENT OF BOGOTA (1948)

24. The Economic Agreement of Bogota (1948) contains an Article 35 concerned with maritime transportation which uses language similar to that of Article I of the above-mentioned Convention.

### V. Action by International Organizations

#### A. INTERGOVERNMENTAL ORGANIZATIONS

*Contracting Parties to the General Agreement on Tariffs and Trade (GATT)*

25. The Secretary-General of the International Chamber of Commerce (ICC) sent to the Executive Secretary of GATT on 23 January 1951 for consideration and, if possible, action by the Contracting Parties to GATT, a document [9] on Discrimination in the Field of Transport Insurance which had been approved by the Council of the ICC at its meeting on 9 to 10 January 1951. This document was circulated to the Contracting Parties [10] with a statement by the Executive Secretary of GATT: "The ICC is now pressing once again for inclusion of this item on the agenda of the Transport and Communications Commission of the United Nations, but it remains possible that, whatever the decision taken by the Commission, the Contracting Parties might usefully consider the ICC's recommendations." No Contracting Party took action to have the matter included on the agenda of the sixth session of the Contracting Parties held in September-October 1951. Furthermore, the ICC, when formally submitting a series of resolutions on 8 August 1951 and recommending action on them by the Contracting Parties, did not include the subject of discrimination in transport insurance.

*Organisation for European Economic Co-operation (OEEC)*

26. As already mentioned in paragraph 14 above the OEEC has dealt with the question of transport insurance in its Code of Liberalization, agreed by the Council or OEEC on 20 July 1951. Member countries will take the necessary measures to eliminate between one another restrictions on transfers and transactions,[11] and may take such measures in respect or non-member countries.[12] The transfer of profits derived from direct insurance operations will be free. The transfer of reinsurance balances and of certain other payments in connexion with reinsurance will be authorized. Retrocession operations between member countries are authorized. Reinsurers are authorized to have bank accounts in the countries of ceding insurers and to operate them without restrictions, either in order to make payments in the country of the ceding insurer or to effect transfers to the country in which their head office or branch is situated. The transfers necessary for the execution of contracts for insurance and reinsurance of goods in transit will be free. When it is not possible to cover a risk in the country where such risk exists the authorisation for insurance in a foreign country and the transfer of the premium will be facilitated. In member countries where insurance operations come under statutory or administrative control the transfer of all amounts which such control does not require to be kept in the country of the insured person will be freed. Controls will keep to a minimum the amounts

[9] Doc. 301/37.
[10] GATT/CP/98.
[11] Code of Liberalisation, Art. 13.
[12] Ibid.

required as guarantees in order to prevent the dispersal of the assets of the insurers, insofar as this is compatible with the protection or the parties insured. Guarantee deposits shall have no other aim than the protection or the insured parties.[13] Member countries need not, however, take the whole of the above measures of liberalization if their economic and financial situation justifies such course [14] and may withdraw any of them if they result in serious economic disturbance. In general, member countries will avoid discrimination as between one member country and another.[15]

B. NONGOVERNMENTAL ORGANIZATIONS

*International Chamber of Commerce (ICC)*

27. As explained in paragraph 6 above, the report and recommendations of the ICC adopted by its Executive Committee on 22 October 1952 and which are attached hereto as Annex III, represent at the same time the views of the IUMI.

*International Union of Marine Insurance (IUMI)*

28. Twenty-seven of the thirty-five members of the IUMI have adopted a resolution, presented to the Council of the Union at its meeting in St. Moritz in 1951, recommending that continued efforts should be made to prevail upon the appropriate international organizations to take all possible measures to guarantee freedom for marine insurance and that insurance associations should endeavour to obtain such freedom within their own countries. The Union further recommended that efforts should be directed toward the modification or elimination of laws and other restrictions against freedom of insurance and that endeavours should be made to ensure that marine insurance be included amongst the services accorded the most favoured nation treatment in commercial treaties. In five out of the eight countries which could not adopt this resolution, private insurance companies are allowed to do business and the restrictions imposed are only in respect of reinsurance and tariffs.

29. At a meeting held in Knokke, Belgium, in 1952, the Council of the Union decided to recommend to the members of the Union that they should urge all those interested in the problem in their own countries that their governments should endeavour to obtain a clause in trade treaties whereby "neither party shall impose any measure of a discriminatory nature, preventing or hindering the importer or exporter of products of either party from obtaining marine insurance on such products in companies of either party."

*Hemispheric Insurance Conference*

30. The Hemispheric Insurance Conference, composed of insurers from the Western Hemisphere, adopted at its Fourth Conference (New York, September 1952) two resolutions regarding governmental interference with or regulation of insurance.

31. The first resolution declares inter alia that "the freedom and support of the integral functions of insurance and of its resulting ample activities should be conserved for private initiative. Consequently, the Government should never have any other function in relation to private insurance than a discreet vigilance and should abstain from interfering in private insurance activities in all their technical, financial, and operational aspects. It is not desirable, either, for the Government to compete with private insurers by means of the establishment of insurance entities of its own, or by the acquisition of interests already in existence, or through the action of autonomous agencies."

32. The second resolution transmits to the cooperating insurance organizations for their consideration, papers submitted respectively by the Insurance Section of the United States Chamber of Commerce and the Mexican members.

33. The paper submitted by the United States Chamber of Commerce entitled "Discrimination in Transport Insurance" drew attention to resolutions on the subject previously adopted by the Conference, the relevant resolutions of the Economic and Social Council and of the Transport and Communications Commission, and suggested that the Conference should adopt a resolution for the inclusion of a special clause in trade agreements similar to that adopted by the IUMI in 1951.

34. The paper submitted by the Mexican members, entitled "National Freedom and Protection to Inland Marine Insurance" contained comments upon the 1952 amendments to the General Insurance Law of Mexico. These amendments

[13] Code of Liberalisation, Section II 36.A (iii) of Annex B.
[14] Ibid., Art. 20.
[15] Ibid., Art. 22.

enumerate the insurance operations which are contrary to the laws of Mexico and they provide that not only are insurance companies forbidden to write insurance in Mexico for mercantile activities for which they are not admitted, but that insurance may not be taken out with foreign companies which are not admitted to do business in Mexico.

35. The Mexican members pointed out that the relevant provisions of the Mexican Law undoubtedly have for their purpose the protection of Mexican economy and Mexican insurance. Their objective is to ensure that insurance companies authorized to operate in the country should not be subject to competition, in so far as rates and coverage conditions are concerned, and that Mexican business should be protected from foreign companies which might operate according to different bases due to different characteristics derived from their own environment. In their view, justice demands equal opportunity for all, which implies protective measures in favour of the weaker. The Mexican insurance companies would agree that the amendments to the law, in so far as they affect marine insurance, should be interpreted to the effect that ships under the Mexican flag and their cargo should be insured with companies admitted to do business in Mexico provided that the insurable interest be Mexican or held in Mexico at the time the international voyage was started.

*National Professional Insurance Enterprises of Western Europe*

36. The above enterprises have not yet formally established a union but a Coordinating and Drafting Committee has been formed to study the work which such a union should undertake when it is set up. Although this Committee has been entrusted with the task of studying the functioning of enterprises connected with insurance and reinsurance excluding marine insurance it decided, with one member objecting, to forward to the United Nations through the IUMI its suggestions on the problem under study. These suggestions are contained in Annex IV hereto.

*The International Cooperative Alliance (ICA)*

37. The ICA informed the Secretary-General that the Auxiliary Committee on Cooperative Insurance of the ICA had considered the subject of discrimination in transport insurance and had unanimously adopted the following resolution:

"The Executive of the Insurance Committee of the International Cooperative Alliance which has member Societies in many countries throughout the world and which exists to further the unrestricted interchange of Cooperative trade in the insurance field, has noted with regret the action taken by certain governments in discriminating in transport insurance and would support any measures which may be taken by the United Nations Organization to insure that in the best interests of the consumers the placing of transport insurance shall be free from all governmental restrictions."

In communicating the above resolution, the Director of the ICA stated that the Secretary of the Auxiliary Committee had informed him that the Government of Ceylon had recently prevented the Cooperative Insurance Society of England from granting marine insurance cover on tea to be exported from Ceylon but that it had been possible to overcome this restriction for the time being in respect of tea purchased f. o. b. Ceylon. The Government of Ceylon had also expressed the wish that all reinsurance on Cooperative premises and trade in Ceylon should be placed with domestic (noncooperative) companies but after representations had been made, had agreed that half the reinsurance might be placed with cooperative insurance organizations outside Ceylon.

*International Union of Aviation Insurers (IUAI)*

38. The enquiry of the Secretary-General United Nations was passed by the ICAO to the IUAI which replied that there was complete agreement with the position of the IUMI on the question.

*International Union of Railways (UIC)*

39. The UIC, which has recommended to its member Administrations a certain method of insurance of international express railway parcels, stated that a detailed examination had shown no case where the refusal of an administration to participate in the scheme had been inspired by a desire to favour its national market or to save foreign exchange.

86174—53—pt. 1——38

## VI. Possible Approach of the Commission to This Subject

40. In its resolution 12 the Commission requested the Secretary-General to determine, as a result of his further study of the problem, what steps could usefully be taken by the Commission.

41. It would seem, on the basis of available information analyzed in this study, that discriminatory practices in transport insurance are geographically widespread and that they may have various harmful effects, with repercussions on international trade, rather than directly on international transport.

42. It has also been demonstrated that discrimination is only the ultimate result of diverse measures. Action to prevent discrimination should therefore be concerned with these measures, and as they fall within different categories it follows that the remedies themselves would be of different kinds and may be the concern of different international organizations. It may, therefore, be helpful to examine these various categories of discrimination separately to see what action, if any, might usefully be taken in respect to them and what existing intergovernmental organizations would be competent.

### (1) Laws and regulations which provide for the insurance of goods in international trade to be effected in the domestic insurance market, including provisions to that effect in commercial treaties

43. In the light of the provisions of the Havana Charter (Art. 13) it would seem that such laws and regulations, in certain circumstances, may be justified by the necessity on the part of governments to assist and encourage development of their national insurance industries. If the Havana Charter were in force, it would be for the International Trade Organization (ITO), acting under the provisions of Article 54, to make recommendations to members concerning any features of their laws and regulations relating to insurance, having harmful effects on trade or otherwise interfering with the achievement of any of the purposes and objectives of the Charter. It is suggested that under present circumstances the appropriate action might be for countries, in the light of the criteria set forth in the Havana Charter, cases where they feel that their interests are damaged through discriminatory legislation on the part of another country, and to try to adjust matters by consultation. If no satisfactory results could be achieved by such consultation, then it is possible that GATT might be the appropriate forum for discussions on the international plane since, although this organization is directed more to the problems of tariffs and exchange of goods, one of its objectives is "the elimination of discriminatory treatment in international commerce" and, as already mentioned in paragraph 19 above by Article XXIX of the General Agreement on Tariffs and Trade, the contracting parties have undertaken to observe to the fullest extent of their executive authority the general principles of Chapters I to VI inclusive of the Havana Charter.

### (2) Discriminatory taxation

44. The available data concerning discriminatory taxation do not permit the formation of a sufficiently comprehensive picture of the situation. This category of discrimination would however appear to be one which might be appropriate for study by GATT, as Article 18 in Chapter IV of the Havana Charter deals with "national treatment on internal taxation and regulation." It would therefore seem that the same remarks would apply as for category (1) above.

### (3) Discrimination practiced through the control of foreign exchange

45. This type of discrimination, inasmuch as it is effected through the administrative application of laws, the purpose of which is to protect the balance of payments, seems difficult to document. In cases where the facts seem to indicate that exchange control laws are being used with the purpose of discriminating in respect of transport insurance, there might perhaps be consultation between governments along the lines of that discussed in connexion with category (1) above followed, if necessary, by reference to GATT.

46. It is possible that some governments might be prepared to exempt transport insurance from foreign exchange control if it could be shown that the loss of foreign currency involved is, in fact, relatively small and is outweighed by the harm done by such controls to their international trade. It is of interest to note that in a recent study [16] of the Inter-American Economic and Social Council

[16] Doc. No. 17 of 6 March 1952.

entitled "Report to the Ad Hoc Committee of Specialists of the American Republics for the Study of Freight and Insurance Rates from the Working Group," it is stated that under normal conditions of foreign trade the gross cost of marine insurance varies between 2/10 of one percent and 7/10 of one percent of the delivered costs of the goods insured. A proportion of this gross cost, estimated by experts elsewhere to be about 60 percent, is however returned in the form of losses paid to the cargo owner. It would therefore seem that the insurance element of the international trade transaction is relatively small and that in many cases countries might not suffer an important loss of currency by lifting exchange controls on transport insurance transactions. An initial examination seemed to indicate that the available statistics of international insurance transactions were not complete enough to enable any final conclusion to be drawn.

47. One of the purposes of the International Monetary Fund as set forth in Article 1 (iv) or its Articles of Agreement (Bretton Woods, 1944) is "to assist * * * in the elimination of foreign exchange restrictions which hamper the growth of world trade." Under Article XIV, Sec. 4 of its Articles the Fund may, in exceptional circumstances, recommend to any member that conditions are favourable for the withdrawal of any particular restriction. The Fund might therefore be interested to weigh the effects of currency restrictions on transport insurance to see whether its members could agree to their discontinuance.

#### (4) PRACTICES DESIGNED TO DISCOURAGE THE ADMISSION OF FOREIGN INSURANCE COMPANIES

48. The same remarks would appear to apply as for category (1). The ICC has complained that, in many cases, the reserves or qualifying deposits which foreign companies are compelled to leave in a country are higher than those required from domestic companies and may be so large that to comply with the law would involve committing an amount of capital to the risks of currency depreciation and other contingencies out of proportion to the returns to be expected from the country. The basic reason for demanding such reserves or deposits is in order to protect the general public in case or failure of the foreign insurance company. During the course of preparation of this study, the question arose whether the conditions under which the international insurance markets work could not be ameliorated to some extent if a form of international certification for insurance companies could be agreed. If governments were prepared to accept certificates, issued under certain conditions by other governments, as to the financial standing of foreign insurance companies, then perhaps it might be possible to effect, in many cases, the modification of legislation or rules calling for reserves or qualifying deposits. Experts consulted agreed that such a form of international certification might be desirable but were unanimous in the opinion that the time has not yet arrived for sufficiently wide acceptance or such a plan by governments.

## VII. Conclusions

49. The ICC has recommended in its attached memorandum:

(*a*) That discriminatory practices in the field of transport insurance should be condemned and that the Commission should recommend a policy whereby those engaged in international trade would have freedom to negotiate transport insurance where they please; and

(*b*) That the Commission urge the inclusion in all trade treaties of a clause prohibiting discrimination between different insurance markets in the placing of transport insurance.

The Coordinating and Drafting Committee of the National Professional Insurance Enterprises of Western Europe has made suggestions as to certain measures to lift restrictions which they consider are practicable at this time (see Annex IV).

50. It is suggested that, as the Economic and Social Council has already expressed its views generally on the subject of discriminatory practices in transport insurance, there would seem to be no need for a further expression, on its part, of general principle. As for the recommendations regarding particular measures to be taken, it would appear that failing adjustment by consultation between countries, GATT may be the competent body to examine in the light of the Havana Charter the cases of discrimination complained of. Further, that the International Monetary Fund may be interested in the question of exchange controls as applied to transport insurance.

51. In the light of the above, it would seem that a possible course of action for the Commission might be to recommend to the Economic and Social Council that further to its Resolution 379 G (XIII), it should:

(*a*) Bring to the attention of governments the study by the Secretary-General, and its annexes, recommending to them to take national action consistent with the relevant principles of the Havana Charter and to endeavour to adjust differences through consultation;

(*b*) Request the Secretary-General to bring to the notice of GATT the relevant resolutions of the Council and of the Commission and the study by the Secretary-General;

(*c*) Request the Secretary-General to bring to the notice of the International Monetary Fund the relevant resolutions of the Council and of the Commission and the study by the Secretary-General, with a view to examination by that body of the possibility of recommending the relaxation of exchange controls as applied to transport insurance.

[Translated from French]

## Annex I. Observations of the Belgian Transport and Marine Administration

### Discrimination in transport insurance

*I. Road and rail transport*

In its letter dated 28 December 1950, the International Chamber of Commerce states that "other international intergovernmental organizations have already considered insurance problems," mentioning among others the Economic Commission for Europe "whose Inland Transport Committee is studying an insurance system for the transport of goods by road."

A distinction should be made between the goods insurance taken out by the owner of the goods and the insurance placed by the carrier to cover his liability under the transport contract.

The essential difference between these two types of insurance is that the former normally covers the risk of force majeure while the latter does not, since the carrier is never responsibile for the consequences of force majeure. Moreover, consignors often insure their goods even in the case of transport by rail. The Européenne Insurance Company, for example, has concluded special agreements with the railways and insures owners of goods against damage for which the railways are not liable.

So far as the Belgian Government is aware, neither the Inland Transport Committee nor any of its subsidiary organs is actually studying an insurance system for the transport of goods by road.

Admittedly, the Working Party on Legal Questions, which is preparing a draft convention concerning the contract for the international transport of goods by road, has studied various transport insurance schemes, with a view to determining whether the carrier's liability, as defined in the draft convention, can be covered by insurance. So far, however, it has not contemplated proposing the adoption of one system in preference to another. In any case, the question of carrier's liability and that of insuring against that liability are quite distinct.

The Working Party on the Development and Improvement of Transport of Passengers and Goods by Road, for its part, which has been instructed to draft a "set of rules" applicable to all international transport operations, is considering the desirability of including in the rules a clause requiring the carrier to take out insurance covering third party risks with respect to the use of the vehicle and covering his liability under the transport contract. It has not yet come to a decision on the latter question.

Lastly, so far as Belgian law is concerned, article 40 [17] of the Royal Order of 9 May 1936, establishing regulations for the carriage of goods by motor vehicles, provides that carriers must insure the goods carried against the risk of accident occurring in transit. They must also insure against the risk of theft where this is the result of an accident occuring in transit.

[17] Article 40:

"The carrier shall insure the goods conveyed against the risk of accident occurring in transit, as defined in article II e of the Antwerp Marine Insurance Policy (1900 clauses, as amended in 1931), and against the risk of theft where this is the result of an accident occurring in transit.

"The carrier may be exempted from this obligation by his principal.

"The procedure for applying the provisions of this article shall be determined by an order of the Minister."

However that may be, as regards both goods and transport insurance, the Transport Administration sees no objection to accepting the recommendation in question, provided, of course, that, whatever the nationality of the underwriting company, Belgian and foreign carriers required under national or international law to insure against liability are able to satisfy the Belgian authorities that they have done so.

*II. Sea transport*

There are no restrictions in Belgium on marine insurance with respect to goods, transport or vessels. The Belgian Government, therefore, far from objecting to the recommendation of the Economic and Social Council, proposes to support it, since its object is to induce all countries to adopt the same liberal attitude in insurance matters.

[Translated from Turkish]

## Annex II. Observations of the Competent Turkish Authorities

### Discrimination in transport insurance

The general rule, applied as far as possible, is that insurance for foreign shipments must be placed in Turkey, except in special cases, in order to further the volume and growth of our domestic insurance business and also to save foreign exchange.

Where the beneficiary of locally placed insurance relating to foreign trade is not in Turkey, benefit is exported in foreign exchange.

Other reasons in support of the principle that insurance relating to foreign trade should be placed in the country are the desire to facilitate agreement between the insurer and the insured and the fact that, where import shipments insured abroad are damaged, the damage must be ascertained here and the related documents sent to the country of origin, with the result that difficulties are often encountered in collecting the insurance payment. There is also concern lest oreign exchange acquired through payment of benefit under foreign insurance relating to foreign trade placed outside the country might not be brought into Turkey.

While it was felt desirable and necessary for our domestic insurance business to require imports and exports to be insured in Turkey, the authorities were convinced that that goal could be achieved through complete freedom among nations.

We support the proposal contained in the Economic and Social Council resolution, with the comment that if the statutory restrictions on transport insurance in the countries with which we trade were repealed, the insurance in Turkey of our foreign trade shipments, and particularly our imports, would be possible and our merchants could eventually be allowed to place transport insurance wherever they chose.

## Annex III. International Chamber of Commerce

### Discrimination in Transport Insurance [18]

Transport and Communications Document No. 301/74, Executive Committee (50th session, 22d October 1952). Memorandum drawn up by the I. C. C. with the assistance of the International Union of Marine Insurance. The appended Memorandum (Doc. No. 301/70) was submitted to the Executive Committee of the I. C. C. (50th session) on 22d October 1952, and adopted unchanged

#### Memorandum adopted by the Commission [19] for submisssion to the executive committee of the I. C. C.

This memorandum was drawn up in view of the study of the question of discrimination in transport insurance to be made pursuant to Resolution 12 of the United Nations Transport and Communications Commission. The Commission concludes therein that it "considers that measures requiring the insurance of goods in international trade to be placed in particular markets may interfere with the free flow of international trade and encourage the growth of retaliatory measures, (and) requests the Secretary-General to conduct a further study to determine the extent to which these restrictions in transport insurance are being

[18] This report was drawn up by the I. C. C. on the basis of a draft by Mr. John T. Byrne.
[19] The Indian Delegation voted against the adoption of this report.

applied, and their impact on international trade, with the view to determining what steps may usefully be taken by the Commission."

When the matter was submitted to the Commission, the representative of the International Chamber of Commerce stressed, in a statement before the Commission, the importance of an unrestricted transport insurance market to the free flow of goods in international trade.

The importance of transport insurance to international trade and its immediate relationship to the international transaction cannot be overemphasized. The contract of transport insurance, like the bill of lading, is an essential document in the transaction. It has been frequently asserted that these documents represent the goods themselves while in transit, for they make possible during that period the exchange of the goods and the extension or bank credit which facilitates the exchange of the goods. Few merchants would be willing to assume the risks of loss attendant upon lengthy voyages without the security of transport insurance, but even fewer banks would be willing to advance credit without such security. The carrier, the bank and the transport insurer may appropriately be called the three pillars supporting international trade. The failure of any one would result in the collapse of the entire structure.

Discriminatory practices restricting the merchant's choice of the most advantageous insurance market seriously weaken the structure of international trade. The elimination of foreign competition in the transport insurance field inevitably results in higher insurance rates which are passed to the importer and consumer in the form of increased costs. Merchants are deprived of the opportunity to negotiate vital terms of international transactions which determine the party assuming the risks of transportation and the security from losses in transit. The difficulty of procuring bank credit without satisfactory insurance results in tying up the merchant's capital, which, in turn, prevents his initiating another transaction in international trade. The merchant may be unable to sell cargo in transit to a national of a country requiring that the insurance be placed in the local market because of the delays and technical difficulties which arise from complying with such requirements. The exporter shipping to a country having such restrictive laws may wish to purchase transport insurance in some other market in order to obtain the security he desires prior to receiving payment for the goods. It has become common practice in such case for the exporter to purchase insurance in the market of his choice in addition to the insurance which he must purchase in the country of destination. The result is a duplication which greatly enhances the cost of insurance, a cost which is passed to the ultimate purchaser in the form of an increase in price, resulting in an unnecessary economic burden to the prejudice of international trade.

It has become customary in all insurance markets throughout the world to insure merchandise from the warehouse at point of origin to the warehouse at destination. Restrictions against the continuance or the extension of insurance coverage after the merchandise has reached the national jurisdiction necessitate duplication of insurance and complicate the rendering of proper service to the merchant by the insurer.

Finally, it must be emphasized that discriminatory practices beget discriminatory practices in retaliation, and there may come a time when, if such restrictions are allowed to develop, a merchant will be unable to insure in any national market without violating the law of some country. Even before that point is reached, the merchant is plagued with uncertainty, confusion, and delay and the ever-present fear of incurring heavy penalties.

The International Chamber of Commerce believes that this problem should be considered as one facet of the general question of trade barriers which impede the development of international trade. It is so treated in the charter of the International Trade Organization, which is, however, not presently in effect. Article 53 provides:

"The members recognize that certain services such as transportation, telecommunications, insurance, and banking, are substantial elements of international trade, and that any restrictive business practices in relation to them have harmful effects similar to those described in paragraph 1 of Article 46."

The postwar period is notable for cooperative effort on the part of the great majority of free nations to abolish trade barriers as a means of establishing world prosperity. Toward this end, efforts have been made to negotiate commercial treaties, to form customs unions, to establish uniform laws and standards, and to take other measures to encourage the exchange of goods and services in international trade. Yet, in the field of transport insurance, which prior to World War II was notably free of restriction, the world has witnessed the greatest

growth in history of practices designed to hinder the free movement of trade among nations.

A certain number of examples will be found in the Appendix which illustrate the type of practice to which the report refers. They are, of course, in no way intended to be exhaustive.

In addition to the examples given in the Appendix, it may be helpful, however, for purposes of clarification to describe in general terms the various forms these restrictive practices have taken.

In the first group are the laws and regulations which compel the insurance on goods entering or leaving the country to be affected by a contract in the domestic insurance market, and which have as their sole purpose the object of ensuring the supply of the national insurance market.

In the second group is the discriminatory taxation of insurance contracts entered into between nationals and foreign marine insurance companies. In some cases these taxes are directed against foreign companies admitted to do business in the national jurisdiction. In other cases they are directed against the purchase of marine insurance outside the country, as in the case of taxes on the transfer of foreign exchange or the tax on premiums transmitted abroad. In every case, they result in placing the national insurance companies or market in an advantageous position and are in effect a form of protectionism in derogation of the principle of international competition of marine insurance.

In the third group is the discrimination practised through the control of foreign exchange. While the International Chamber of Commerce recognizes the existence of currency problems in many countries of the world, it is felt that this situation has been frequently exploited as an excuse to foster the domestic insurance market. As an example, restrictions against the purchase of marine insurance in foreign markets in connexion with exports are wholly unwarranted in view of the fact that the credit established by the buyer abroad provides for the reimbursement of the amount of the premium paid in foreign currency.

Moreover, several countries have authorized foreign exchange for the payment of premiums in foreign currency to companies in their own domestic markets although these countries refuse the exchange for the purchase of insurance in foreign markets. In some cases these countries undertake to provide foreign exchange for the payment of salvage and general average liabilities incurred by domestic companies. These practices indicate a desire to foster the national insurance industry rather than to conserve hard currency resources. It is difficult, under the circumstances, to justify any slight saving that may accrue to a country's supply of hard currency in the face of the serious impediment to world trade arising from such practices.

The decision whether to advance foreign currency for foreign transport insurance usually rests within the discretion of bank or other fiscal officials and the policy of restriction may be established unofficially upon the request of the Government. Rarely do such practices appear in the form of a regulation, and frequently they exist only in the form of a "suggestion" from the official granting the import or export licence. The local merchant, because he must necessarily maintain amicable relations with the licensing officials, is in no position to insist on his desire to purchase foreign insurance, as he well knows that the approval of his import or export licence depends upon his compliance with the "suggestion." This kind of restrictive practice is difficult to document. Nevertheless, its existence is evident from correspondence received by members of the insurance industry who have attempted to reestablish relations with clients abroad during the post-war period, as well as from other informal sources. From these sources, there is reason to believe that officials of certain countries have on numerous occasions effectively convinced their nationals that the granting of import or export licences was contingent on the use of transportation insurance placed in the local market. Moreover, it has been possible on numerous occasions to establish the fact that the rates quoted in these countries may be substantially higher than rates available in other markets on similar terms. The results of these practices is a considerable increase in cost to the merchant, an economic waste, the cumulative effect of which constitutes a serious impediment to the flow of international trade.

The fourth group of practices are those designed to discourage the admission of foreign insurance companies to do business in the country in competition with domestic companies. While foreign insurers can rightly expect to have to meet the same requirements as domestic insurers in order to be permitted to do business within the country, instances have arisen of discrimination against foreign insurance companies. In some cases this has amounted to a requirement that a percentage of the capital be owned by nations or that the managerial offices be

held by nationals. In some cases foreign insurance companies are excluded altogether from the country.

In view of the international character of the marine insurance business, such laws are detrimental to the competition necessary in the interests of international trade.

A fifth group of practices has developed in connection with the worldwide trend toward nationalization of industry. While this is a matter of purely national concern to which no outsiders can object, it is submitted that there is a tendency of governments which have nationalized their insurance industry to pass restrictive laws to assure the growth and prosperity of their industries. Frequently where governmental reinsurance organizations are established, private companies are compelled to cede a percentage of their direct writings and, in some cases, to accept retrocessions from the reinsurance organizations. Thus, if direct rates are not fixed by law, reinsurance rates frequently are, and private companies are compelled to adjust their rates according to the reinsurance rates rather than according to worldwide competitive conditions. The result has been in many cases that higher rates are charged in these countries. In order to maintain these higher rates, restrictive laws and practices are resorted to by the governments.

The problem of nationalization is, therefore, intimately connected with the problem of free competition in marine insurance. It is submitted, however, that countries which have nationalized insurance or segments of the insurance industry may, nevertheless, permit the insurance market to operate competitively.

Recognition of the problem of nationalization is given in Article 29 of the charter of the International Trade Organization, which provides:

"*Non-Discriminatory Treatment*

"(a) Each member undertakes that if it establishes or maintains a state enterprise wherever located, or grants to any enterprise, formally or in effect, exclusive or special privileges, such enterprise shall, in its purchases and sales involving either exports or imports, act in a manner consistent with the general principles of nondiscriminatory treatment prescribed in this Charter for Governmental measures affecting imports or exports by private traders.

"(b) The provisions of subparagraph (a) shall be understood to require that such enterprise shall, having due regard to the other provisions of this Charter, make any such purchases or sales solely in accordance with commercial considerations, including price, quality, availability, marketability, transportation, and other conditions of purchase or sale, and shall afford the enterprises of the other Member countries adequate opportunity, in accordance with customary business practice to compete for participation in such purchases or sales."

Thus Article 29 of the International Trade Organization makes no attempt to interfere with the principle of nationalization of industry, but seeks to secure the existence of a competitive system in the field of transport insurance which, as heretofore explained, is a vital part of that trade.

In conclusion, the International Chamber of Commerce submits that discriminatory practices in the field of transport insurance should be condemned as an interference with the free flow of international trade, and requests that this Commission recommend the adoption of a policy of nondiscrimination whereby the buyer and seller engaged in international trade may be able to negotiate freely in the placing of transport insurance in any of the world's markets.

The International Chamber of Commerce further recommends that the Commission urge the inclusion in all Commercial Treaties which may be under negotiation now or in the future between member countries of the United Nations of a clause prohibiting discrimination between different insurance markets in the placing of transport insurance.

## Appendix Containing Some Examples of the Type of Restrictive Law and Practice Dealt With in the Body of the Report

(N. B. For obvious reasons, no mention is made of the total discrimination practiced in countries where there is a State monopoly of insurance)

### Legal discrimination against insurance with foreign companies

*Argentina*

The Argentine insurance law of June 13, 1947, provides:

"Article 14: The insurance of all classes of goods entering the country, in any manner whatsoever, must be effected by Argentine Insurance companies when the risks are borne by the consignee, and the insurance of all classes of goods leaving the country, in any manner whatsoever, must be effected under the same condi-

tions when the risk of marine transport is borne by the consignor. The customs formalities include the obligations both to declare on oath that the risk has been covered, and to be in possession of a copy certified by the police authorities. Any infraction of these provisions will be subject to the penalties set forth in Article 12."

Article 12 provides that any infraction of this law is punishable by a fine amounting to not more than twenty-five times the value of the premium.

The Ministry of Finance subsequently excluded from the terms of section 14 imports:

(a) where the merchandise is purchased f. o. b. delivery at a point in the Argentine;

(*b*) on consignment; and

(*c*) for sale through representatives or agents of a foreign firm when the importation is carried for account of the principals.

The Reinsurance Institute has interpreted "f. o. b. point in the Argentine" to mean that unless all customs duties, taxes and other charges are paid in the currency of the foreign seller, the risk is considered to be upon the Argentine importer. Obviously, the Argentine importer will not be willing to pay customs duties, taxes, drayage and other expenses in foreign currency, even if the foreign currency is available for such purposes.

In the case of exports, the Insurance Institute considers the risk for account of the Argentine exporter in cases where goods are shipped on consignment or sent for sale through agents or representatives of the export firm abroad, and in cases where goods are shipped f. o. b., with named point in the interior of the country of destination.

The Argentine law has characteristically resulted in a burden on trade which is beyond the scope of the law itself, affecting, as it does, trade in which the merchant would otherwise be free to place insurance in the market of his choice. Thus, a case has been reported where an Argentine national shipping to the United States on consignment, desired to place warehouse insurance on arrived goods in the American marine insurance company whose rates and conditions were more favourable than in the Argentine market. Such insurance is legal under the Argentine law. The American company, however, fearing claims for concealed damage attributable to the period of transportation from the Argentine, was compelled to decline the risk unless it could at the same time share in the transportation risk which is prohibited under the Argentine law.

In an attempt to overcome the discriminatory effects of the Argentine law upon their respective national markets, various countries entered into trade agreements with Argentina. The agreement with Norway, which is, we believe, similar in this respect to agreements made with France, Italy, the Netherlands, Switzerland, and Spain provided that:

"*Insurances.*—The Government of Argentine reserves the right to let those Argentine goods which are exported to Norway and those Norwegian goods which are imported into Argentine to be insured in Argentine companies when the transport takes place for the account of the seller or buyer respectively." A similar reservation is made in the case of imports and exports at the risk of the Norwegian buyer and seller, respectively. Such a treaty, it is submitted, is discriminatory in itself, reserving, as it does, the insurance of Argentine goods imported into Norway to the Argentine insurance market.

Information received from Swiss and Norwegian underwriters' representatives indicates that unsuccessful efforts were made by members of their respective delegations which concluded the treaties to delete the discriminatory provision as to marine insurance. The Swiss report concludes that only the Argentine has availed itself of the benefits of the provision, it being contrary to established principle for the Swiss Government to interfere, unless necessary, with the terms of private contracts.

The discriminatory laws of the Argentine have resulted in higher cost of marine insurance, a cost which is passed to the ultimate consumer, and which constitutes a serious impediment to international trade. At the time the decree went into effect in 1948, Argentine exporters expressed concern over the possible loss of business due to the higher rates of insurance which would have to be paid under the new law.

In addition, the decree 12988 discriminates in respect to reinsurance against foreign companies admitted to do business in the Argentine.

Article 15 of decree 12988 provides:

"Argentine insurance companies must cede to the Institute all surpluses above their own retentions, which latter they may fix freely. The Institute shall then

proceed in accordance with the provisions of Article 17, particularly bearing in mind the capacity of the market and the volume and nature of the business individually ceded to it by each company."

Article 16: "Companies whose management and capital are not established in the country must cede to the Institute, at the original acquiring commission, not less than 30 percent of all general and personal risks contracted in the country. These companies are free to dispose of the remaining 70 percent."

Article 17:

"Cessions received by the Institute under the provisions of the foregoing Article, and the surpluses received in accordance with Article 15, shall, once the Institute's own retention is fixed be offered preferentially as reinsurance to Argentine Insurance companies; any excesses then left may be placed with Companies whose management and capital are not established in the country, or in foreign markets; reciprocity may be established as suitable."

Thus, the Argentine Law discriminates against foreign marine insurers doing business in the Argentine by requiring the cession to the Institute of a fixed percentage of every risk written and by granting Argentine companies a preference as to retrocessions from the Institute.

Although premiums on direct writings are not fixed by the Institute, insurance companies compelled by law to cede a portion of the risk to a governmental reinsurance agency must consider the rates it will have to pay for the compulsory reinsurance. It may therefore be impossible to compete with rates charged by insurance companies abroad which are free to reinsure or not as they see fit. The degree of control exercised in the Argentine over direct premium rates is suggested by the provisions of Article 8 of Marine Circular No. 5 containing the regulations of the Argentine Reinsurance Institute in force on September 11, 1948:

"8. The Institute will study the risks ceded to it, and when the terms of the insurance are inadequate or unsuitable according to the local practice or the rates differ in a considerable proportion or frequently from those usual in the market for similar risks and the normal acceptance is disadvantageous for the Institute and its retrocessions, it reserves the right to demand an alteration in rates for similar future business, whether isolated or arising from floating policies already contracted."

Finally, the Argentine law imposes a discriminatory tax on foreign companies admitted to do business in the Argentine.

Decree 12901 of November 19, 1947, provides:

Article 39: "The Argentine Insurance Companies shall pay on premiums received, 2.50 percent for personal risks and 7 percent for general risks."

Article 40: "The companies whose capital and management are not located in the country shall pay the following rates on premiums received:

"(a) On all assignments to the Institute and to the Argentine Insurance Companies 2.50 percent on account of personal risks and 7 percent on account of general risks;

"(b) Upon those retained by them, 6 percent on account of personal risks and 16 percent on account of general risks; and

"(c) On all the excess over that retained by them and the assignments to the Institute and to the Argentine Insurance Companies 6 percent on account of personal risks and 18 percent on account of general risks."

*Brazil*

The law of Brazil prohibits the extension of transport insurance in companies not admitted in Brazil after the goods have been deposited in the warehouse in Brazil and are at the risk of the Brazilian consignee. This leads to a number of difficulties. If the consignee in Brazil wishes to send the goods to some other point in Brazil by either land or water, he cannot exercise the option of extending his original insurance. Local Brazilian companies are reluctant to insure the goods for the reason that if the goods remained in the original package they are unable to ascertain whether there has been any previous loss or damage. The consignee is then compelled to cable to the shipper abroad and request the extension. Unless the consignee is a reliable client, the shipper is reluctant to have the insurance extended for the reason that he cannot be assured of recovering the premium from the shipper. These complications and added expense constitute an unnecessary burden on international trade.

In the case of exports from Brazil which remain at the risk of the Brazilian shipper during the period of transit, Article 165 of Decree Law No. 2063 of 7 March 1940, requires that insurance be effected in companies established in Brazil. The fine for violating this precept amounts to 10 percent of the value of the amount insured.

Insurance in Brazil is regulated by the Reinsurance Institute of Brazil, a governmental organization. Companies operating in Brazil are compelled to cede a portion of every transport risk assumed. (Article 73 of Decree Law No. 2063 of 7 March 1940.) Moreover, under Decree Law No. 3784 of 30 October 1941, acceptance of retrocessions offered by the Institute is compulsory on the part of all companies authorized to operate in Brazil. The Technical Council of the I. R. B. (Conselho Tecnico) fixes the rates, the terms, and forms of retrocession and the commissions.

No foreign marine insurance companies not presently doing business in Brazil may be admitted to do such business.

*Chile*

Chile imposes a discriminatory tax which penalizes the purchase of foreign marine insurance.

Decree No. 251 of 20 May 1931 provides:

"Article 14. Any person, concern, company or commercial house which desires to insure in companies not established in Chile property or other insurable interests in the country against risks comprised under the First Group (which includes marine insurance) shall pay a special tax to the fiscal benefit varying between 25 percent and 60 percent of the premiums which it would have had to pay in Chile to cover the respective risk.

"Insurance effected abroad, covering material damage on land on goods imported into this country, on consignment or in transit, when these latter are intended to be utilized in the territory of the Republic, is subject to the tax established in the present Article.

"The President of the Republic shall fix annually, or when he deems advisable, the amount of this tax within the limits indicated."

The tax is inapplicable if the insurance must be effected abroad because no Chilean company will cover the risk.

Chilean insurance laws restrict the right of foreign companies to do business in Chile. Although no translation of the law is available it is reported that, in order to qualify to do business in Chile, an insurance corporation must have at least two-thirds of its capital subscribed for and held by Chilean shareholders or foreigners domiciled in Chile. Moreover, the laws of Chile discriminate against foreign companies in respect to reinsurance by requiring such companies to cede to the Caja Reaseguradora a 20 percent Quota Share of very direct Fire, Accident, and Coastwise Marine policy issued. National companies, on the other hand, are not compelled by law to cede any portion of their writings to the Caja, but they are not permitted to reinsure any surpluses, over retentions, with foreign companies.

*Colombia*

Colombia has two laws which impede the freedom of marine insurance, although the restrictive effect of the later law quoted hereinafter, has been partly diminished by interpretation of the Office of Exchange Control charged with its enforcement.

Article 8 of Decree Law 1403 of 1940 provided that:

"Persons, organizations or firms which effect [sic] insurance in companies not legally established in Colombia are subject to a special fine of 50 percent of the amount of the premium which they should have had to pay in Colombia on the respective risk."

Subsequently the government issued Decree No. 2615 of 26 August 1949, authorizing the Exchange Control to refuse licenses for the payment in foreign currencies of the value of premiums on insurance which could be contracted with firms legally established in Colombia. The decree reads as follows:

Decree No. 2615 of 1949 (August 26), by which is approved Resolution No. 13 of the Board of Directors of the Office of Exchange, Import and Export Control.

The President of the Republic of Colombia, pursuant to his legal powers and especially those conferred on him by Law 90 of 1948, decrees:

Solo Article. The following resolution of the Board of Directors of the Office of Exchange, Import and Export Control is approved:

Resolution No. 13 of 9 August 1949: The Board of Directors of the Office of Exchange, Import and Export Control exercising the power conferred on it by Law 90 of 1948, considering—

(1) That article 7 of Decree 1403 of 1940 states:

"The insurance business may only be practiced by national and foreign companies duly authorized therefor in accordance with the law, by the bank superintendent;"

(2) That article 8 of the same decree provides:

"Persons, organizations or firms which effect [sic] insurance in companies not legally established in Colombia are subject to a special fine of 50 percent of the amount of the premium which they should have had to pay in Colombia on the respective risk;"

(3) In addition to the prescribed legal provisions which should also be fulfilled by the Office of Exchange Control, the condition of the balance of payments (exchange) does not permit authorizing the expenditure of foreign currencies to pay premiums on insurance which can be contracted in Colombia, be it resolved that:

Article (1): The Office of Exchange Control shall abstain from authorizing licenses for payment in foreign currencies of the value of premiums on insurance which can be contracted with firms legally established in Colombia.

Article (2): Licenses for paying abroad the value of indemnities for losses which have been insured in firms legally established in Colombia will be authorized as if dealing with payments prescribed in paragraph 4 of resolution 7 of 1949.

Article (3): The Office of Exchange Control will grant the necessary import licenses for replacing insured merchandise which has been lost. The value of such licenses shall not affect basic shares or quotas or any other system of individual limitation of imports.

Article (4): Insurances contracted before the effectiveness of Decree 1403 of 1940 and the premiums for which are payable in foreign currencies shall not be affected by the provisions of Article 1 of this resolution.

Article (5): This resolution takes effect from the date of promulgation.

The Exchange Control Authorities have interpreted the above decree to permit insurance on imports of merchandise in companies not established in Colombia when the shipper is obliged to deliver the merchandise at Colombian ports on c. i. f. terms. In the event of loss, however, the importer is not permitted a new import license to replace the merchandise, unless he has insured in a company established in Colombia. Marine insurance can, therefore, be purchased outside of Colombia only at the risk of losing the quota assigned for the import of such merchandise in case it should be damaged or destroyed in transit. The foreign shipper who insists, for his own protection, on insuring on c. i. f. terms may lose a valuable client in Colombia whose interests demand that the merchandise be insured in Colombia.

*Cuba*

While the present laws of Cuba do not discriminate in any way against the free exchange of marine insurance, a bill is presently under consideration which would establish a Central Reinsurance Company of Cuba to be owned 20 percent by the Government of Cuba. The Central Reinsurance Company of Cuba would be empowered to supervise the operations of the various insurance companies in Cuba, to transact reinsurance operations, and to promulgate the tariffs of rates to be applied, in the transaction of business by the insurance companies established in Cuba.

Although it may be premature to raise at this time the question of discrimination in connexion with Cuba, the situation is submitted as an example of the trend towards regulation of marine insurance evident throughout the world in the post-World War II period.

*Haiti*

The Haitian law of February 22, 1948, imposes a tax which discriminates against foreign marine insurance companies admitted to do business in Haiti. In addition to the regular tax of 10 percent of premiums collected paid by Haitian and foreign admitted companies alike, Article 5 of the above law provides:

"The amounts derived from premiums collected by the Insurance Companies may not be transferred abroad until after having paid an export tax of 3 percent."

The tax also discriminates against nonadmitted marine insurance companies in cases where the coverage is extended by the Haitian importer after arrival of the goods and additional premiums are paid.

*Iran*

The Government of Iran promulgated two decrees, on December 8, 1946, and May 13, 1947, which discriminate against the free placement of marine insurance.

Decree of 9.III.1326 (May 31, 1947) of the Iranian Council of Ministers provides:

'The Council of Ministers decrees, at its meeting of 9.III.1326, on the proposal of the Ministry of Finance:

"(a) All goods imported into Iran must be insured with an insurance company registered in Iran. When the credit for the import of the goods is opened, the authorized banks shall demand of the import merchant the insurance policy proving that the goods were insured with a company registered in Iran. After this insurance policy has been submitted, the bank may proceed to the opening of the credit.

"(b) Are exempted from the provisions of Decree No. 34198, export goods which are sold f. o. b. or which are the property of foreign merchants. In these cases the buyer may insure the goods with the insurance company of his choice. Nevertheless, other export goods must be insured with the Iran Insurance Company, as laid down in the said decree."

(Observation: The f. o. b. sale must be certified by one or the authorized banks

Decree of 16.IX.1325 (December 8, 1946) of the Iran Council of Ministers (translation):

"At its meeting of 6.IX.1325, the Council of Ministers on the proposal of the Ministry of Finance, and with the intention of enforcing paragraph 4 of Decree No. 11215 of 26.VII.1316, decrees that the general customs administration shall, for all export goods dispatched by motor lorry, railway, steamship or aircraft, demand the insurance policy proving that the goods were insured in Iran. The administration may refuse permission to export the goods if such an insurance policy is not submitted to it.

"Trade in frontier regions is exempted from these provisions. The present tasks required of customs administrations are enforceable in the customs areas where the agents of authorized insurance companies agree to insure the goods and where the necessary means for technical inspection by the insurance companies are to be found. These circumstances must be certified by the general customs administrations and by the Iran Insurance Company."

The Iranian law has resulted in an unwarranted burden on international trade. Reports have been received of specific insurances where premiums charged in Iran have been as much as four times the premium offered in another country where international competitive conditions exist. Cases have been reported, moreover, where foreign importers have for their own protection taken out insurance in their own markets, as well as the insurance required by Iranian law. This double insurance is an economic waste which directly hinders the flow of goods in international trade.

*Peru*

Peru discriminates against foreign marine insurance by placing a tax on insurance contracted with companies not admitted to do business in Peru.

Article 4 of Law No. 9796 of January 27, 1943, provides:

"Insurance contracts made with companies which are not established in the country in accordance with existing laws, must pay a tax of one-fourth of one percent on the amount of the original policy and on subsequent renewals, Laws 7750 and 8914 being hereby amended in this respect."

The law excepted foreign insurance in cases where the risks were not covered by domestic companies. However, by a decreee of January 28, 1944, marine insurance was declared available in Peru and, therefore, not exempted from the tax.

Premium rates on risks located within the jurisdiction are regulated and may be altered only after authorization by the government upon petition by the Comité de Aseguradores de Peru, an organization to which all insurance companies in the country must belong. (Article 7 of Law No. 9796 of January 27, 1943.) The effect of this law is to control the rates of transport insurance after the goods imported into Peru are landed and prior to the time goods exported from Peru are loaded on board the overseas vessel.

### B. DISCRIMINATION RESULTING FROM FOREIGN EXCHANGE REGULATIONS

*Austria*

Austrian exchange control regulations make it impossible for the Austrian merchant to purchase foreign insurance. On the other hand, the Austrian merchant is permitted to insure against limited coverage in hard currency, provided the insurance is placed in the Austrian market.

Austria imposes a discriminatory tax on the purchase of marine insurance from foreign insurance companies not admitted to Austria of ten times the tax on insurance purchased in the national market. Insurance Tax Law of January 17, 1939, D. R. G. B. L. I S–48. This tax, which amounts to 50 percent of the premium, virtually eliminates foreign competition.

In the case of Austria, due allowance should of course be made for the special political circumstances of that country and for the fact that the measures in question were introduced before the war.

*France*

In France, the possibility of insurance abroad is subject to currency restrictions. These restrictions, which apply to insurance as to other sectors of French industry, are the result of restrictions inherent in the existence of the Exchange Control Office. Since 1948, owing to these currency restrictions, it is in many cases practically impossible to insure otherwise than with French or foreign companies operating on the French market.

There are no laws or regulations in France that discriminate against the admission of a foreign company to do insurance business.

The marine reinsurance business is strictly regulated in France. French companies and foreign companies operating in France are compelled to cede a portion of every direct risk accepted to the "Groupement de Réassurance Maritime."

The ordinance of January 23, 1945, regarding marine reinsurance provides:

Title I. Ordinary Marine Risks:

"Article 1: The French companies, with the exception of (life insurance companies in their various forms) * * *, are compelled to establish a groupement of marine reinsurance * * *."

This "Groupement" which has civil personality is entrusted with the conclusion, for account of all its participants, of marine reinsurance treaties, hull, cargo or faculty, and to distribute amongst its participants the results of these operations.

"Article 2: The French and foreign companies authorized to exercise in France and in the overseas territories operations of marine insurance hull, cargo and faculty, are compelled to conclude with the 'Groupement' reinsurance treaties for these operations. The maximum amounts which these companies are authorized to subscribe and keep without reinsurance are fixed, as well for hull as for cargo or faculty by the Ministry of Finance."

*Italy*

In Italy exchange regulations also exist which interfere with the insurance in foreign currency of certain categories of imports, particularly government purchases from the dollar area.

*The Netherlands*

The Netherlands exchange control law delegates to the Netherlands Bank complete discretion in the matter of authorizing foreign exchange for the purchase of foreign marine insurance. It has been reported that only under exceptional circumstances will permission be granted for the purchase of foreign marine insurance, as, for instance, in cases where the premium offered in the foreign country is at least 25 percent lower than that offered in the national market. On the other hand, it is reported that the Netherlands Bank readily grants foreign exchange to national insurance companies for reinsurance abroad.

(N. B.: Restrictions similar to those mentioned for Italy, France, or the Netherlands are in force in all Western European countries with the exception of Belgium, Switzerland, and Great Britain.)

[Translated from French]

## ANNEX IV. SUGGESTIONS MADE BY THE COORDINATING AND DRAFTING COMMITTEE OF THE NATIONAL PROFESSIONAL INSURANCE ENTERPRISES OF WESTERN EUROPE

### DISCRIMINATION IN TRANSPORT INSURANCE

*1. General principles*

(*a*) *Prior permission which foreign companies have to obtain under certain legislations.*—In order to ensure perfect equality, foreign insurance companies should be admitted on the same terms as domestic companies and in particular their claims or petitions should be treated on an equal footing in cases of refusal or withdrawal of permission. The right to undertake reinsurance operations should not be subject to any prior permission.

(*b*) *Obligations imposed by certain national legislations and control regulations.*—The OEEC Code of Liberalization contains certain principles which the Committee seeks to persuade the Member States to apply in practice and which it hopes will be adopted universally. One of these principles, in particular, lays

down that "Present and future statutory and administrative controls shall keep to a minimum the amounts required as guarantees in order to prevent the dispersal of the assets of the insurers, insofar as this is compatible with the protection of the parties insured. Guarantee deposits shall have no other aim than the protection of the insured parties."

(c) *Financial transfers in connection with insurance and reinsurance transactions.*—Such transactions should be entirely free.

*2. Practicable measures*

The Committee offers the following suggestions for measures which it might be practicable to apply, and which might be recommended within the terms of the United Nations study, with a view to minimizing the disadvantages resulting from discriminatory practices in transport insurance. After studying inter alia the memorandum submitted by General Transport Commission of the ICC to the Transport and Communications Commission of the United Nations (Doc. No. 301/50 CCI), the Committee considers that in the first instance discriminatory measures might be removed which, in any given country:

(a) reserve a monopoly in transport insurance to national companies only, by the systematic exclusion of foreign companies which wish to be admitted on the same conditions as those laid down for national companies;

(b) impose a general obligation on national importers and exporters to export C. I. F. and import f. o. b. in such a way as to reserve the insurance of the country's imports and exports to the national insurance market;

(c) make the concession of licenses or the granting of foreign exchange conditional upon the insurance of cargoes on the national insurance market;

(d) forbid insurance being placed in foreign exchange in every case, and without justification by overriding considerations connected with the exchange balance;

(e) forbid the placing in the foreign insurance market of risks which cannot be covered in the domestic market.

The Committee points out that the above observations do not express its ideas of the characteristics which the organization of the different national marine insurance markets should possess under normal economic and political conditions. It wishes to emphasize that in making this study it has been guided by the desire to make only those suggestions which can be considered in the light of the present economic and financial situation. In particular it has regretfully come to the conclusion that the present situation is not calculated to make governments desist from the efforts which they have undertaken, notably as a result of experiences during the last war, to establish in their countries, at the cost of certain restrictions, national marine insurance markets capable of covering a certain minimum of their national needs under all circumstances.

The Committee is, however, of the opinion that this objective can be attained without the establishment or maintenance of the discriminatory measures mentioned above.

Mr. CHUBB. I would like to say that by and large the attitude of the State Department has changed, and we hope they will continue to be helpful. They have many interests to protect. We hope they will not forget us in doing that.

The second field in which American marine underwriters have a problem at the Government level lies in the area of operations formerly controlled by the Economic Cooperation Administration and now controlled by the Mutual Security Administration. I would like to stress at this point that marine underwriters have at all times been fully aware of the problems faced by the Government in dealing constructively with this problem.

They have recognized that the marine insurance question must be viewed in the overall framework of the purposes of foreign aid programs; and they have resisted suggestions that Congress be asked for mandatory legislation requiring American insurance.

Nevertheless, they have felt that the position taken by the Government agencies presents a real opportunity to foreign governments to discriminate unfairly against American interests and to eliminate free and fair competition from this field. They further are convinced that

certain foreign governments have not hesitated to take advantage of this situation and to indulge in discriminatory practices.

Let me try to put this problem in the very simplest of terms. In 1949, it was enacted by the Congress that the Economic Cooperation Administration would—

> make available United States dollars for marine insurance on * * * commodities where such insurance is placed on a competitive basis in accordance with normal trade practices prevailing prior to the outbreak of World War II.

Notwithstanding the authorization, the ECA and its successor, the Mutual Security Administration, have found it necessary to make a requirement that the dollars in question will be provided only when requested by the government receiving the aid.

This requirement puts the recipient government in a position to exert great pressure upon the foreign importer to place such insurance in the insurance market of the recipient nation, notwithstanding the fact that American underwriters might be willing to insure the business at substantially lower rates. American marine insurers are satisfied that such pressure is the rule rather than the exception and that in a substantial number of cases marine insurance is placed at very much higher rates than would be available in the American market.

Consistent with policy of marine underwriters in the past, I believe that the cure for this situation is administrative rather than legislative, and that the law now on the books was designed to accomplish what we are urging.

In this connection, I would like to call the attention of the committee to the colloquy between Senator Saltonstall and Senator Smith, appearing on page 8000 of the Congressional Record of July 1, 1953. This exchange makes it clear that it was the intention of the ECA Act, as amended, to give American companies an opportunity to compete for such insurance as might be placed on the shipments requested. Steps have been taken to bring this viewpoint before the new administration; and it is my hope that the facts are so clear and reasonable that an administrative solution can be found which will not conflict with the basic objectives of the MSA.

Senator POTTER. What is MSA's position today?

Mr. CHUBB. I do not think they have defined it. I think there is correspondence going on right now. The position has not been put forth since the new administration has come in. As you know, some of the officials of MSA have been pretty busily occupied on other matters lately.

I hope we can put forward what is a perfectly fair and decent proposal that will be within the terms of the present act and will not conflict with what MSA is trying to accomplish.

Senator BUTLER. What was the purpose in putting in the requirement that it would only be required as to the government receiving the aid?

Mr. CHUBB. The position taken by Paul Hoffman, among others, was that there was a certain pool of dollars made available to each country. The extent to which they used that pool for steel, shipping, or other services, should be determined by the country receiving it. We did not want to dictate how they would spend those dollars.

Senator POTTER. We tell them what bottoms to use.

Mr. CHUBB. That is done by legislation.

Senator POTTER. They are going to be in American bottoms.

Mr. CHUBB. That is done legislatively; yes, sir. We have never felt, for the reasons that you have suggested, that we wanted to ask for mandatory legislation because we felt it would boomerang on us in other countries.

What we would like to have and hope to get MSA to do is to withdraw the requirement that the importer has to get permission of his government in placing his insurance in dollars.

You see, if he places his insurance in lira, francs, or some other soft currency, and the goods are lost, he has to come after more dollars to replace them. It is different from the shipping business. That is the point I believe we can drive home effectively.

Senator POTTER. I would be interested in seeing what reaction you get from MSA. I would like to have you keep the committee informed.

Mr. CHUBB. We will certainly do that, sir.

I wish to thank the committee for the courtesy shown me in inviting me to appear today. While, as I have stressed, the American marine insurance market has never asked for legislative protection, the statements made by the various congressional committees in the past as to the importance of an American marine insurance market to the American merchant marine and to the foreign commerce of the United States have been most encouraging and have given us heart to tackle our problem with vigor. Any reaffirmation of this principle which your committee might see fit to make would certainly be most helpful to us in facing the future. I would be happy to answer any questions to the best of my ability.

Senator POTTER. Senator Butler, do you have any questions?

Senator BUTLER. I have some questions I would like to ask, but I do not know enough about the subject at the moment. I will skip them for now. I am certainly going to look into this MSA business.

Senator POTTER. I am in much the same position as Senator Butler. It is a highly technical field. You certainly have a friendly committee, who will work with you in every way possible.

Senator BUTLER. As I understand it, at first blush, we give them the goods, yet we cannot have anything to say as to whether our own insurance companies shall have a right to bid on the shipment which is to go abroad?

Mr. CHUBB. It works out in many cases.

Senator POTTER. And in many cases we pay more for the insurance?

Senator BUTLER. And we have to give them more dollars if they give them insurance in soft currencies.

Mr. CHUBB. They have to come back for more dollars, yes. It comes off the other end.

Senator POTTER. They are spending it for one thing, so why not another?

Senator BUTLER. How long have you been working on this problem?

Mr. CHUBB. I was first brought down and asked for my views in 1948 by the old MSA crowd. I discussed it with Mr. Hoffman.

Senator BUTLER. How long has it been going on under this new administration?

Mr. CHUBB. I do not believe the new administration has had time to reach a decision on it. There has been correspondence on it, which I have not been a party to. I do not believe a final decision has been

taken yet. I think the thing was taken up first in maybe March or April.

Senator POTTER. You do not know whom they contacted in MSA?

Mr. CHUBB. I imagine they wrote to the director, himself. Our general practice has been to go to the top with these things.

Senator BUTLER. I hope the chairman of this subcommittee will appoint a committee of two, consisting of Senator Potter and myself, to see the Mutual Security Administrator about this problem.

Mr. CHUBB. We realize that we are only part of a complex problem. We have hoped the thing could be worked out on a basis where we could compete.

Senator POTTER. Where American dollars are provided for the program, you want to be in a position to compete for the business.

Senator BUTLER. You should be able to compete for the business which our own taxes are paying for.

Senator POTTER. I wish to thank you, Mr. Chubb, for giving us this interesting testimony.

Mr. CHUBB. Thank you, sir, for the opportunity. Before I leave, I would like to submit for the record this summary of legislation and committee action bearing on marine insurance.

Senator POTTER. Without objection, it will be made a part of the record at this point.

(The material referred to is as follows:)

A SUMMARY OF LEGISLATION AND COMMITTEE ACTION BEARING ON MARINE INSURANCE

The 64th Congress became concerned about the large percentage of insurance on American ships and cargo that was being written abroad. Accordingly, in the Shipping Act of 1916, it directed the Shipping Board to inquire into the situation to ascertain what steps might be taken to develop the American marine insurance industry as an aid in the development of the American merchant marine. Section 12 of the Shipping Act of 1916 (Public Law 260, 64th Cong., 46 USCA 811) provides in part as follows:

"* * * it (the Shipping Board) shall examine into the subject of marine insurance the number of companies in the United States, domestic and foreign, engaging in marine insurance, the extent of the insurance on hulls and cargoes placed or written in the United States, and the extent of reinsurance of American maritime risks in foreign companies, and ascertain what steps may be necessary to develop an ample marine insurance system as an aid in the development of an American merchant marine."

In the 66th Congress, the whole question of the expansion and strengthening of the American merchant marine, which had taken on new importance by reason of wartime ship construction, was under thorough reexamination. As a result of this study, the Merchant Marine Act of 1920 was passed with the declared purpose "to do whatever may be necessary to develop and encourage the maintenance of" a strong merchant marine.

In connection with its enactment, the Senate Committee on Commerce held very extensive hearings, commencing June 10, 1919, and continuing until March 13, 1920, the record comprising some 2,089 printed pages. In considering the best means of strengthening the American merchant marine "to the end that it would be able to carry the greater portion of the commerce of the United States and serve as a naval and military auxiliary," the Senate and House committees also studied the interrelation of marine insurance and the expansion of the merchant marine. Two sessions of the Senate hearings were devoted to the marine insurance provisions of the proposed legislation (pp. 1334–1380, Senate Commerce Committee hearings, 66th Cong., 1st sess., Feb. 17 and 18, 1920).

In the meantime, the Subcommittee on Miscellaneous Business of the Committee on Mercha t Marine and Fisheries of the House of Representatives, held extensive hearings on the subject of American marine insurance for the express purpose of finding a way to build up or encourage the American marine insurance

business. These hearings, held on July 9, 16, and 17, and September 26 and 27, 1919, comprise some 354 printed pages, all devoted to marine insurance (House committee hearings, vol. 236, pts. 2 and 4, 66th Cong., 1st sess.). This subcommittee also caused to be printed and bound with the committee hearings a Report on the Status of Marine Insurance of the United States by Prof. S. S. Huebner, who was staff assistant to the committee, and certain recommendations of the subcommittee, which report and recommendations were approved by the full committee on February 26, 1920.

As shown by the following quotation from the above-mentioned recommendation adopted by the House committee on February 26, 1920, a strong American marine insurance industry was envisioned as an affirmative instrument for increasing foreign trade:

"In its investigation of marine insurance in the United States, your committee has examined exhaustively into the functions, present status, and legislative needs of this branch of insurance. All evidence leads to the conclusions that a strong and independent national marine insurance institution is an absolute necessity to a nation's foreign-trade equipment, that such an institution does not exist in the United States today, and that it is imperative to adopt ways and means to correct the present impossible situation if this country is to meet the strenuous international rivalry that the new era is certain to inaugurate. There can be no doubt, judging from the manner in which our competitors are now seeking to undermine this branch of underwriting, that marine insurance will be used, as probably never before, as a national commercial weapon for the acquisition and development of foreign markets. Failure to act now in strengthening our marine insurance facilities and placing them in an independent position free from foreign control, cannot be regarded otherwise than as the neglect of a duty and an opportunity. The loss of the present rich opportunity will soon be bitterly regretted, but it will be too late to undo the mischief" (p. 75).

As a result of these extensive studies and hearings, the so-called Edmonds bill, H. R. 13889, relating to marine insurance, was passed. This become section 29 of the Merchant Marine Act of 1920 (act of June 5, 1920, C. 250, sec. 29, 41 Stat. 1009, 46 U. S. C. A. 885), which reads as follows:

"29. (a) Whenever used in this section—

"(1) The term 'association' means any association, exchange, pool, combination, or other arrangement for concerted action; and

"(2) The term 'marine insurance companies' means any persons, companies, or associations, authorized to write marine insurance or reinsurance under the laws of the United States or of a State, Territory, District, or possession thereof.

"(b) Nothing contained in the 'antitrust laws' as designated in section 1 of the Act entitled 'An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes,' approved October 15, 1914, shall be construed as declaring illegal an association entered into by marine insurance companies for the following purposes: To transact a marine insurance and reinsurance business in the United States and in foreign countries and to reinsure or otherwise apportion among its membership the risks undertaken by such association or any of the component members."

The legislative intent of public policy involved in the enactment of the Merchant Marine Act of 1920 has been reiterated and reaffirmed by subsequent Congresses. Thus, in section 1 of the Merchant Marine Act of 1928 (46 U. S. C., sec. 891), the 70th Congress explicitly stated:

"The policy and primary purpose declared in section 1 of the Merchant Marine Act, 1920, are hereby confirmed."

To like effect is the declaration of the 74th Congress in the Merchant Marine Act of 1936 (46 U. S. C., sec. 1101). Even more specific is the declaration of the 79th Congress in the Merchant Ship Sales Act of 1946, where, in section 2 (50 U. S. C., sec. 1735), it is set forth that:

"(a) It is necessary for the national security and development and maintenance of the domestic and the export and import foreign commerce of the United States that the United States have an efficient and adequate American-owned merchant marine * * * supplemented by efficient American-owned facilities for shipbuilding and ship repair, marine insurance, and other auxiliary services.

"(b) It is declared to be the policy of this Act to foster the development and encourage the maintenance of such a merchant marine."

See also, the statement of the House Committee on Merchant Marine and Fisheries in its report on the act providing for United States-flag shipping participation in Government-financed cargoes (H. Rept. 220, 81st Cong., 1st sess., on H. R. 1340):

"* * * It appears that American-owned marine insurance companies are being deprived of a large amount of insurance business which, but for the policy of the Economic Cooperation Administration, would be available for the strengthening of this very important element of the American merchant marine. The Congress has several times in the past forcefully stated its position with regard to fostering the growth of the American marine insurance market. It is the concensus of your committee that the Economic Cooperation Administration and all other administrative agencies of the Government should keep cognizant of the policy heretofore expressed by Congress on this subject; in this connection, your committee is advised that the Economic Cooperation Administration is presently endeavoring to review its policies in regard to insurance to cooperate with the marine insurance industry" (p. 4).

Senator POTTER. The subcommittee will be in recess until tomorrow at 2 o'clock, at which time Mr. Strohmeier, of Bethlehem Steel, will be our witness.

(Whereupon, at 11:05 a. m., the subcommittee recessed, to reconvene at 2 p. m., Wednesday, July 22, 1953.)

# MERCHANT MARINE STUDIES

**WEDNESDAY, JULY 22, 1953**

UNITED STATES SENATE,
SPECIAL SUBCOMMITTEE ON MARITIME SUBSIDIES OF THE
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
*Washington, D. C.*

The subcommittee met, pursuant to call, in room G–16, Capitol, at 2:05 p. m., Senator John M. Butler, presiding.

Present: Senator Butler.

Also present: Mr. John M. Drewry, special counsel to the subcommittee.

Senator BUTLER. The meeting will come to order. Mr. Strohmeier, will you take the stand, please? You can have anybody you want to come up with you. We are glad to have you here and to have the benefit of your experience and advice in connection with this study of maritime subsidies that we are now making.

## STATEMENT OF DANIEL D. STROHMEIER, VICE PRESIDENT, BETHLEHEM STEEL CO.

Mr. STROHMEIER. I have a very short statement. With your permission, I will read it. If you have any questions, I will be glad to answer them.

Senator BUTLER. We will have questions. You may proceed.

Mr. STROHMEIER. My name is Daniel D. Strohmeier. I am vice president of Bethlehem Steel Co. in charge of its shipbuilding division comprising 11 shipyards and currently employing approximately 25,000 employees.

I understand that your committee has already received comments from several shipowners and operators. I should like to present to your committee some further comments from the viewpoint of a shipbuilder.

Shipbuilding capacity and shipbuilding potentiality in this country have generally been taken for granted. In the last war the shipbuilding achievements by the industry were widely hailed as one of the key contributing factors to victory. Many people are under the impression that this country can always meet, on very short notice, emergency demands for ships and that if necessary, new shipyards and new shipbuilding organizations can be created overnight to do the job. Actually, to those of us who were closely associated with the war program, the shipbuilding achievements seemed less like a miracle and more like the logical output of an industry that had for years before the war a substantial volume of work and hence, a readily expansible nucleus of shipbuilding skills and know-how when the emergency arose.

Mr. DREWRY. The war program was a pretty terrific program of some 5,000 merchant marine ships. You say it was still not a miracle, but just an orderly outgrowth. My impression was that the state of the shipbuilding industry prior to the war had been somewhat depressed; yet, you imply there was an adequate nucleus at that time to allow you to make that tremendous expansion. Can you enlarge on that?

Mr. STROHMEIER. Our industry was tremendously depressed in the early 1930's. But beginning in 1933, we embarked on a naval building program. In 1936 there developed a commercial tanker program, and the passage of the Merchant Marine Act, at that time, eventually created, in another year or two, a beginning of our Maritime Commission program. So that by the beginning of the war we had three major programs in full swing. We had the Navy building program; we had the private tanker programs; we had the Maritime Commission program. So that when war broke out, there were more shipyards actually building ships at the time than there are today. We are in a somewhat better position to expand rapidly. We are too apt to consider the overall statistics of the war program. I think our company, without in any way detracting from the tremendous achievements of all the other shipbuilders, probably had the biggest task to do, primarily in the naval construction.

I think we are apt to lose sight of the fact that in the third year of the war, 1941, Bethlehem did not deliver a single naval vessel. We were filling the pipeline, and it had not begun to come out the other end.

Mr. DREWRY. You had orders on hand?

Mr. STROHMEIER. Yes; we had the orders, but we were still in the expansion period. We were processing our work, but as for vessel deliveries, we did not deliver one naval vessel in 1941.

Mr. DREWRY. What was the cause of that timelag?

Mr. STROHMEIER. Because of the time it takes to begin to get results from one of these emergency programs.

Senator BUTLER. I will tell you one result. In Baltimore, for instance, you had to acquire considerable property.

Mr. STROHMEIER. Yes.

Senator BUTLER. You had to acquire property adjacent to the yard. I know that, because I was interested in several of the suits arising out of that acquisition. It took a long time to get the ways going and get the ships actually on the ways.

Mr. STROHMEIER. Those were fairly simple ships that we built there. We started with Liberty ships. If you recall, we got started on the Fairfield Yard about February or March of 1941. We delivered the first Liberty ship before the end of the year. We were still building the yard. That was a simple vessel.

Senator BUTLER. Even though, Mr. Strohmeier, you were in comparatively good shape at the time of the emergency, the program was nevertheless much more extensive than it should have been, owing to the fact that we did not have the capacity that we really should have had for the emergency period; is that not true?

Mr. STROHMEIER. That is correct. I think part of the great cost of the war program arose from the fact that we were so deficient in ships when the emergency arose.

Senator BUTLER. That is right. And the capacity to produce ships, even though we were getting well along the road on the programs you mentioned, we were really deficient in the capacity to produce ships in anywhere near the quantity that approximated the need?

Mr. STROHMEIER. Had we produced more ships in peacetime, we would not have to have expanded our shipbuilding capacity during the war to the extent that we did.

Senator BUTLER. That is right. We had more skilled people on hand to spread around a little better than we did, to use their skills more advantageously.

Mr. DREWRY. During that buildup period that you speak of, was that construction going into old, established yards like your own, and Newport News, or were there new yards that were developed out of the program under the 1936 act prior to the war?

Mr. STROHMEIER. Shall we put it this way: New shipbuilding activity was created in some cases in yards that existed as repair yards. I believe for instance, Moore Drydock, in Oakland, Calif., an old-line ship-repair yard, was actively engaged in the building of C–3 cargo vessels.

Mr. DREWRY. Under the 1936 act?

Mr. STROHMEIER. Yes. Tampa Shipbuilding Co. came into the picture under the 1936 act. Ingalls became quite active in the building of oceangoing vessels. Of course, at that time, the Federal Shipbuilding & Drydock Co. was in existence and operating as a going organization.

Mr. DREWRY. So there was a distribution on all three coasts, not just a concentration on the east coast among the few old-line shipbuilding companies?

Mr. STROHMEIER. That is correct. In our own shipyard in San Francisco, we were engaged at the time in the building of C–1 cargo ships, five of them. We had, just previous to that, delivered two destroyers to the Navy. So we had a fine, going nucleus there.

That served as the basis of our subsequent expansion into destroyer-building operation at San Pedro, and a troopship operation at Bethlehem-Alameda.

Mr. DREWRY. Do you comment further on in your statement as to the discussion of the situation as it is today?

Mr. STROHMEIER. As it is today, I would say we are at the present time in good shape to expand. I am looking ahead to some time next year, when we will be vastly worse off than we are now.

Mr. DREWRY. Even if you get, as I understand it, from other testimony, orders now, there will be a sharp dip, will there not, because of the timelag between design and keel-laying?

Mr. STROHMEIER. Yes. I do not see, if we get orders now, how we can avoid a drastic layoff of what we call our early trades. The early trades are the design departments, the mold loft, our steel-fabricating departments, and all of the trades that move into the early phase of a shpibuilding job.

A shipbuilding operation is a series of overlapping waves of different trades. They each reach their own peak at their own time, not all at once. So that even though a shipyard may have a very considerable employment in terms of numbers of men, toward the end of the program that employment is predominantly in the outfitting trades.

We have lost the manpower that we need to start up some new shipbuilding. So that we are now at the point, and I think every shipyard in the country is at the point, where we are going through a very severe reduction in employment, even if we were to get orders today.

Senator BUTLER. Is there any solution to that that you could suggest? What would be a possible solution?

Mr. STROHMEIER. I propose to touch on a few of those points, Senator, as I go along.

Senator BUTLER. I think that is very important.

Mr. STROHMEIER. Maybe some of the thoughts that I have here might be considered.

Today, the shipbuilding industry faces a nearly complete cessation of activity by the end of next year and prospects for additional work are not encouraging. At the present time, there are less than 50,000 employees engaged in the major private shipbuilding yards and employment is dwindling rapidly. There is not a ship construction yard in the United States at the present time that has not already passed the point where new orders were necessary to forestall mass layoffs of personnel, particularly in the early trades. The last keel will be laid by April 1954, and except for four naval vessels, all vessels will be launched and the ways empty by the end of next year. The loss in employment will be severe and the dissipation of shipbuilding skills will take years to overcome.

Senator BUTLER. Less than a month ago we had a debate on the floor as to the conversion of certain C–4's. The statement was made by 1 Senator, and maybe 2, that the shipyards now had backlogs of 2, 3, and 4 years. I do not think this was controverted.

Mr. STROHMEIER. They must have been referring to foreign shipyards.

Senator BUTLER. We really did not have the information to controvert that statement. I think it went unchallenged. That is very unfortunate, because I am certain this subcommittee had no idea of this. I know I did not. Apparently the department is becoming very much aware of it, because this tanker bill which we are now going to try to rush through the session will help a little. I did not know that was the fact. I would like to have had that fact a little earlier.

Mr. STROHMEIER. This situation is not only serious because of its economic impact in shipbuilding communities, but is immeasurably more serious in its impact on the capacity of this country to defend itself. In the last war, allied shipyards abroad were virtually immobilized by enemy action or threat of action, and the allies had to rely almost entirely on the shipyards of this country.

It is doubtful that foreign shipyards will be any more available in the event of another conflict. We have received from the Navy Department tentative mobilization plans insofar as they relate to shipbuilding, and I can assure you that the tasks confronting our industry will be no less in the next conflict than they were in the last one. Without additional work immediately, our shipbuilding situation is fast becoming the Achilles heel of our capacity to defend ourselves.

It would seem, therefore, that the United States should assure itself of a going shipbuilding industry by encouraging new shipbuilding activity now. Only in that way will it be possible to maintain a minimum safe nucleus of shipbuilding skills. There are certain places

where a modification of congressional and administrative attitude might be helpful.

Senator BUTLER. Congress never did put in its budget the new ship construction contemplated under the long-range shipping act.

Mr. STROHMEIER. That I know.

Senator BUTLER. That was very largely on the basis that most of the Senators, at that time, felt there was such a backlog that another year would not hurt the shipyards.

Mr. STROHMEIER. As I understand it, Senator, one of the arguments was that another year would not make any difference on the ships themselves.

Senator BUTLER. That is right. The Coast Guard had said they would not be responsible for what happened during the year. I know that was brought out on the floor. I think the thing that influenced most of the Senators was that the shipyards are not in any danger of losing their skilled personnel and that, in the event of an emergency, they will be there.

Your testimony puts an entirely different light on the situation. We are in great danger of losing the very skills that we need the most in the event of war.

Mr. STROHMEIER. Definitely. I can give you an example of what happens when you do lose your shipbuilding personnel. We are building five Mariner-class ships in our San Francisco yard. That yard normally, in peacetime, is a ship-repair operation. It does have building capacity. We built a great number of vessels there during the war. It is the only large, privately maintained shipbuilding establishment on the west coast.

We have been out of shipbuilding since the tail end of the war program, which carried over into a year or two of the postwar period. We are having quite a time finding shipbuilding manpower just to build five ships on the Pacific coast.

Mr. DREWRY. Even with all the tremendous training programs and buildup of personnel during the war?

Mr. STROHMEIER. Yes. The skills have dissipated into other industries. We are having a very difficult time with our manpower.

Senator BUTLER. In your opinion, we are now verging upon an era where we will have a lack of skills and a lack of capacity in the event of an emergency.

Mr. STROHMEIER. That is correct. I have just mentioned that there are places where a modification of congressional and administrative attitude might be helpful.

The first relates to the Merchant Marine Act of 1936, as amended. This legislation provides an admirable statement of national policy with respect to the merchant marine. However, the act is not working as well as intended, and it seems to me that the root of the trouble is not so much in the imperfections of the act itself as it is the attitude of the various arms of Government that are concerned. There seems to prevail an attitude that the recipient of a subsidy under the act is receiving some unsavory favor. I believe the term "gravy bowl" appeared on the scene recently.

In some instances, the Maritime Administration, and its predecessor Commission, have seemed to us in the industry to have sought to justify such low subsidies and such stringent conditions as to fore-

stall projected new buildings. No doubt such actions have been motivated by the highest considerations of protection to the taxpayer.

Mr. DREWRY. Have there been instances where applicants have been driven away because of that?

Mr. STROHMEIER. Yes. We have had several instances of applicants who would like to build ships under the Merchant Marine Act who have been discouraged by low subsidy allowances, or other conditions that make the overall project unattractive.

Senator BUTLER. Mr. Strohmeier, at that point, I sort of get this from your statement, that the Merchant Marine Act is a good act?

Mr. STROHMEIER. I think so.

Senator BUTLER. But that the departments have not been vigorous enough in seeing that the money was provided to carry out the programs embodied within the legislation; is that your idea?

Mr. STROHMEIER. I believe that is so.

Senator BUTLER. In other words, when the pinch came, the first thing they cut out was the merchant-marine program?

Mr. STROHMEIER. That is right. In other words, we have a policy, but——

Senator BUTLER. But we do not have the vigor and the will to carry it out?

Mr. STROHMEIER. That is right.

Mr. DREWRY. Does the shipbuilding industry offer any help in the collection of foreign-cost data because, of course, the law provides that the determination of the subsidy is supposed to be on the basis of providing parity with foreign operators who build in foreign yards?

In theory, they cannot either allow liberal subsidies or too low, that there is a formula that must be applied.

There have been some indications that the Maritime Commission, and other Government agencies working on it, have not been able, themselves, to find the accurate data. Has the shipbuilding industry any interest in helping to come forth with that?

Mr. STROHMEIER. We, ourselves, have done a great deal of work on foreign costs in specific instances. For instance, we provided a good deal of assistance in the determination of the American Export Lines subsidy.

Mr. DREWRY. The first, second, or third time?

Mr. STROHMEIER. The first time. The final one came out just about where the first one was. I believe that you have put your finger on one of the imperfections in the law that I have alluded to. It is an extremely difficult provision to administer.

I do not blame the Maritime Administration, because they are between the upper and the nether millstone of criticism for going too high, and criticism on the part of those who want to build ships for being too low.

Senator BUTLER. We have had an experience of that in the very recent past. It is still going on, as a matter of fact.

Mr. STROHMEIER. You certainly have.

However, it seems to me that the result is just the opposite and the taxpayer winds up by paying more in the end through the stringency of his protectors. It happens this way: Congress, itself, has recognized the need for an adequate merchant marine under the American flag for national defense and so expressed itself in the Merchant Marine Act. It provided basically two ways to obtain ships: Title

V, by which the owner pays part and the Government pays part, and title VII, by which the Government pays all. In either case, the vessels are equally available to the United States when needed.

The more ships that are built under title V, and the fewer under title VII, the easier on the taxpayer. Since the act has been in effect, there have been only 91 vessels started under title V, and out of a total of 176 started under the act, aside from 32 title VII vessels subsequently sold to private interests, would it not have been much cheaper to the Government if more ships were built under title V and fewer under title VII? If less stringent conditions prevailed, more private capital would have been drawn in to help shoulder the burden. The more vessels we build in peacetime, under conditions that will attract private capital, the fewer ships we will have to build during wartime at great cost to the taxpayer.

Senator BUTLER. Are you familiar with the bill recently introduced by Senator Potter in connection with the Ship Mortgage Act?

Mr. STROHMEIER. Yes.

Senator BUTLER. Is that feasible legislation, in your opinion?

Mr. STROHMEIER. I believe so.

Senator BUTLER. And you think it will be attractive to private capital?

Mr. STROHMEIER. I think it should be a great help. Furthermore, we will get better ships and less block obsolescence.

Mr. DREWRY. On that point, under title V, where the applicant himself takes the initiative at the outset to apply for a vessel built with a construction subsidy, he has a right to specify the design which he requires for his own trade, subject to approval by the Navy Department and the Department of Defense.

On the other hand, under title VII, where a Government program is undertaken, there would be more tendency for standardization, and perhaps more tendency to be more seriously concerned with a vessel suitable for defense capable of conversion to commercial use than the contrary; is that not true?

Mr. STROHMEIER. I think that is very true. As I shall mention later on, I believe there has been too much tendency to dictate the design features and characteristics to the impairment of the commercial value of the ship.

Mr. DREWRY. On a title VII vessel, there would not be a question of dictating design; there would not be anybody else to say otherwise?

Mr. STROHMEIER. Absolutely. There is a vast distinction between a vessel constructed under title V to an owner's basic requirements, and a ship constructed under title VII, and subsequently sold to an owner, because in one case the vessel is nearly ideally suited to the particular trade for which she is built, and in the other case, the owner does the best he can by buying an available vessel that he had nothing to do with in the design stage.

Mr. DREWRY. As to the title V vessels, has it been your experience, or your observation, that there has been too much of a tendency on the part of the Maritime Administration to dictate design requirements over the desires of the applicant and aside from the question of national defense features, for instance?

Mr. STROHMEIER. We have seen examples of where speed and tonnage have been dictated to the point where the owner would not proceed with the job.

Mr. DREWRY. Can you cite such an example?

Mr. STROHMEIER. The most recent one that comes to my mind involves Standard Fruit.

As you know, a ship that carries bananas, primarily, has to get into shallow-water ports. She cannot be a large ship, because there are not enough bananas in any one place to fill her up. If they could fill her up, they could not get them off at the other end of the voyage. The result is that the national defense characteristics of the ship did not suit Maritime at the time, and they wanted a larger and faster vessel, so that Standard Fruit was unable to proceed with construction in this country.

As an alternative, they have acquired, I believe, under charter, Norwegian vessels, for the most part. So here we have an example of, shall we say, interference with an owner's commercial requirements to the point where the owner could not go ahead and build in this country and put the ships under American flag.

Mr. DREWRY. Will you elaborate a little more on the unsuitability on the Government-dictated designs as to the banana trade? Was it excess speed, or size, or draft?

Mr. STROHMEIER. They wanted more speed and they wanted a larger ship. As I understand the story, the Government did not feel that it wanted to subsidize a vessel that did not meet certain ideas that they had as to aspects of defense.

Senator BUTLER. It was a one-use property?

Mr. STROHMEIER. Correct. I have heard very high-ranking people in the Pentagon say, "We definitely have a need for many smaller ships that now exist."

Mr. DREWRY. I was going to come to that, that from a defense standpoint, when all-out mobilization comes, no matter how much of an adequate nucleus fleet we have, there would still undoubtedly be a need, for past experience has shown that you have to embark on a tremendous building program as long as the war goes on. You never know where a war will develop; consequently, would it not be preferable to have designs built for all of the various trades of the world, so that when the war did break out, you would have your prototype suitable for that particular area right there, based on the needs of the trade that was in being before the war?

Mr. STROHMEIER. I would think so.

Mr. DREWRY. You could not use a Mariner in the banana countries very well, for instance?

Mr. STROHMEIER. No. Probably the ship is too big to go into most of those ports.

I think it is significant that in the last war, when we embarked on such a big shipbuilding program, that we built ships of all sizes, including quite a number of ships smaller than the ones that were turned down.

Mr. DREWRY. Like the N–3's?

Mr. STROHMEIER. Yes; that is what I have in mind.

It would seem to me, then, that the interests of economy, as well as preparedness, would be served by an attitude of encouragement on the part of the Congress and the Maritime Administration, rather than the present one of resistance to proposals to build new vessels financed in part privately. Congress should encourage Maritime to make available attractive terms for the construction of ships.

Senator BUTLER. That goes back to the bill that was just introduced. Do you think that bill will do it?

Mr. STROHMEIER. I think it would be helpful. But if the determination of the construction differential is on a stringent basis, so that the owner in fact is not put on a par with his foreign competitor, this bill will not produce new ships.

Senator BUTLER. It will not answer the purpose?

Mr. STROHMEIER. No. I think it is a definite step in one direction, and it is one of the building blocks.

Senator BUTLER. It all goes back to what is fair in the way of an allowance for the differential. If you have a fair basic allowance for the differential, the bill will do the job; if you do not, it will not?

Mr. STROHMEIER. I think this thought is significant: This country is the greatest global power at the present time. We have every intention of maintaining that position. We have tremendous overseas commitments, with all these imports and exports. It just seems to me we should be carrying 50 percent of our foreign trade; instead, we are carrying about 25 percent of it.

To me, that means one thing, that our merchant marine is not keeping pace with our position in the world in other respects. Why is it not? Because the economic forces at work in the merchant marine field are such as to drive American ships off the seas.

That shows to me that the subsidies are too few and too little. We are not achieving par.

Mr. DREWRY. I have thought of a question somewhat along those lines. Do you feel there is any tendency on the part of the Government in recent years, under the subsidy program, to be too stringent and too demanding on the superiority of quality far in excess of commercial requirements in time of peace, with the result that too few ships are built during time of peace, followed by a tremendous war building program of ships which are obsolete to begin with and which have no quality? That seems to be a sort of inconsistent thing.

Mr. STROHMEIER. I think it is. I think later on I touch upon that thought.

If you put too much stress on quality in peacetime, to the point where the ship is not going to be built, somehow that phantom tonnage has to be made up in a war program, and you are almost certain to have a ship with lower quality.

Mr. DREWRY. By "quality" of course——

Mr. STROHMEIER. I am talking about the specifications.

Mr. DREWRY. The qualities in excess of high-standard commercial requirements?

Mr. STROHMEIER. That is right.

Senator BUTLER. Do you think the Mariner is a satisfactory ship?

Mr. STROHMEIER. From what I can make out, talking to vessel operators, I do not believe it is a good commercial ship. I think we have to consider the conditions under which the Mariner was conceived and put in hand.

The basic conception, as it was explained to me, was a military one. We wanted an extremely fast ship that could run it alone without convoy. We have it in the Mariner. I think it is a fine ship for the purpose intended, but it is not a good commercial cargo ship. It is too big and it is too fast.

Somehow, the running conflict between Maritime and the General Accounting Office must be resolved for the inhibitions thus created in the minds of Maritime, the prospective shipowners, and the private financial institutions, have greatly impaired the usefulness of the act. As it now stands, no one can be sure that an agreement with Maritime will stand up—a situation that injects unnecessary and alarming risks into the shipping industry which has enough inherent risks of its own. It seems to me that Congress can and must solve that problem.

There is another matter in which Maritime should be encouraged, and that is the matter of flexibility in vessel design and characteristics. We have seen instances where military considerations have impaired the commercial value of the vessel by an insistence on size, speed, and other characteristics that the prospective owner could not use commercially. If we are going to have an effective American merchant marine, I believe nothing should be allowed to interfere with the commercial effectiveness of the ships themselves. Quality will take care of itself in any peacetime shipbuilding. By not having the ships in peacetime, we don't do so well qualitywise, when we have to catch up in a war emergency. The 10-year-old, nearly obsolete Liberty ship is a case in point.

The recent action by Congress in denying funds to start four passenger liners raises a fundamental question. In 1947, the President's Advisory Committee on the Merchant Marine found this country deficient in passenger and potential troopships and recommended an immediate program to build 46 such vessels. Since then, the international situation has grown immeasurably worse and we have produced only 3 passenger ships and 3 troopships, and we have none on order. Here, within the past 3 months was an opportunity for this country to gain 4 additional modern passenger vessels with more than half the cost to be borne privately, all in accordance with the merchant marine policy of the United States. The cost to the Government would have been $43.2 million, spread over 3 years. The first year would cost only $3,056,000. Economy is the reason given for not going ahead with these ships.

Mr. DREWRY. That is just the cost to the Government, not the total cost of the vessels?

Mr. STROHMEIER. That is right. No; the vessels would cost something over $100 million, all told. The difference between the $46 million figure and the total would be borne privately.

Mr. DREWRY. Which is certainly contrasted with the Mariners which up to now, 100 percent of the cost has been borne by the Government?

Mr. STROHMEIER. That is correct. It seems ironical to me that 4 major ships costing the taxpayers only $43.2 million over 3 years should be deleted in the interest of economy, when consideration is being given currently by Congress to handing the Voice of America $60 million during this fiscal year alone, and the case of West Berlin, where $50 million was made available overnight.

Furthermore, the economy ax has curiously spared the Navy's $237 million building program abroad. We seem to have plenty of money to spend in foreign shipyards that don't need the orders and probably can't do us any good if war should come. That same $237 million spent in American shipyards to keep our shipbuilding skills

alive could make the difference between whether we win the next war or whether we don't.

Mr. DREWRY. Could you, for the record, elaborate on what the $237 million program is? I think I have heard mention of it.

Mr. STROHMEIER. I believe that program is for the construction of destroyer escort-type vessels and minesweepers.

Mr. DREWRY. They will be built for NATO countries?

Mr. STROHMEIER. Yes; for NATO countries. It seems to me that where Congress has established a merchant marine policy, it should follow through and see that that policy is carried out. Otherwise, should we not reexamine that policy and ask ourselves whether we really want a merchant marine or whether we just want to give lip service to it? So much for the Merchant Marine Act.

Mr. DREWRY. Some people say that with the tremendous number of ships that we have on hand, some 33 million tons, there does not seem to be any necessity at this time for a program, that the obsolete ships were good enough for the last war and should be good enough for the next one. Do you have any comments to make on that?

Mr. STROHMEIER. Yes. While we are long on tonnage in our reserve fleet, active and reserve fleets, I think we are short on quality and on certain types of ships. I could not conscientiously urge a large shipbuilding program of dry-cargo ships.

We are going to use the Liberty ships in the next war, if they are still available. We are going to be constantly disappointed at their slow speed and their overall obsolescence, but undoubtedly we will use them, and they can be used to advantage. But we have no reserve of tankers. There is not a single tanker in the strategic reserve. We are short of passenger ships. We are way below our prewar passenger ship capacity.

If we expect to fight the next war abroad, rather than here at home, we have to have a balanced fleet. You cannot conduct much of a war if you do not have the tanker capacity to carry the fuel. You cannot do the job abroad if you cannot get your troops over there.

Senator BUTLER. It is pretty hard for me to see why this program should not be put over when you consider the minimum overall cost.

Mr. STROHMEIER. It is small, is it not?

Senator BUTLER. It does not run over $50 million a year.

Mr. STROHMEIER. It is very small.

Senator BUTLER. The overall program is so small, it is just inconceivable to me that it has not received wide acceptance.

Mr. STROHMEIER. I think your committee has already received testimony that in the postwar period we have subsidized foreign ship operations to the tune of about 2 to 1 over the subsidies to our own merchant marine. Yet, it is curious to me that there is so much stress and strain over the subsidies we pay ourselves, and no one raises a furor over the subsidies we pay the forigners, including our former enemies.

Senator BUTLER. That is true in the debate on the floor of the Senate every day. If we want to give an American a break on anything, it is the worst thing in the world, we are stealing and robbing, but we can give millions of dollars abroad and nobody says anything about it.

Mr. STROHMEIER. Another matter that is serious to us as shipbuilders is the utter lack of encouragement on the part of our Government to the construction of vessels for foreign customers in our American shipyards. In the case of my own company, we have received in the past 5 years 67 tanker awards and 50 of those ships were undertaken for foreign-flag operation. Such foreign-flag building has been the mainstay of Bethlehem's postwar shipbuilding activity and is the principal reason why our organization today—and I emphasize the word "today"—is intact and ready to take on any substantial emergency shipbuilding program.

Yet I can assure you that these many foreign-flag awards were obtained by us with no encouragement on the part of our Government but, in fact, under the imposition of severe handicaps. As far as I know, the American shipbuilder is the only one in the free world who is not permitted by his Government to furnish a full title to the ship for which his customer pays a full price.

Obviously, some foreign customers are reluctant to do business with us when our Government will not permit us to deliver a ship with a clear title. The result is brought about this way: Under section 37 of the Merchant Marine Act of 1916, an American shipbuilder must obtain permission from the Maritime Administration—then the Shipping Board—to enter into a contract to construct a ship for an alien during a period of national emergency. No criterion was established by law as a basis for such approval and no conditions were required. However, the Maritime Administration has been willing to grant such approval only on the basis that the owner agrees that his ships be subject to requisitioning by the United States; that there will be no change of flag or ownership of the vessel without prior Maritime approval; and that he will abide by all of the trade restrictions which apply to American vessels.

He must post an expensive bond to assure performance and he risks forfeiture of his vessel without compensation for even a technical violation of his agreement. We have seen potential customers pass our shipyards by and construct vessels in Japan or Europe with no strings attached, rather than submit to such conditions. In those cases, obviously the United States has no control whatsoever over the vessels. We shipbuilders are under a severe enough economic handicap in competing with the rest of the world on account of our substantially higher standard of living.

We are facing a most uncertain future and we think we should not be subjected to the additional burden of not being able to give our customers a clear title to their ships. In that respect, we look with envious eyes on our fellow shipbuilders in other countries where their governments not only remove obstacles to their doing business, but do everything they can to make the foreign shipowner welcome.

I do not object to the intent of section 37 of the 1916 act, for it would obviously be wrong for anyone, under today's conditions, to build for, say, Iron Curtain customers. But I strenuously object to a consent to build clouded with all the conditions that smack of overregulation. I recommend that this policy be modified forthwith to permit us to deliver ships presently on order or to be ordered by citizens of NATO countries, at least, with no strings attached.

Mr. DREWRY. Section 37 of the 1916 act was clearly a wartime measure, a war-emergency measure. I assume that it was put in to

protect against building for those who were soon to become our enemies, or to conserve our own materials on which great demand was then being made.

At the present time, we are in a declared national emergency. But as to the question of the original intent, was the Department of Defense, the Navy or military approval required under section 37 of the 1916 act, or is that something that is solely within the discretion of the Maritime Administration?

Mr. STROHMEIER. That is solely within the discretion of the Maritime Administration.

Mr. DREWRY. On what do they base these restrictions at the present time?

Mr. STROHMEIER. Of course, we are under a state of technical emergency; therefore, approval is required. We cannot enter into a contract to build a vessel for an alien under today's conditions without obtaining that approval.

I might say that a very substantial part of these 50 ships were undertaken before the national emergency, and so those conditions did not apply. I cite that number to indicate how important that class of shipbuilding is to us.

Now, I am very sure that one very large group of shipowners for whom we have been building vessels, shipowners of Greek origin, would be very reluctant to place any more orders in this country while those conditions exist, because the conditions are very complex.

They involve one man's interpretation against another. In the case of an American vessel, a question of technical violation could be easily straightened out. But in the case of a foreigner, he risks the forfeiture of his vessel. That is very serious.

We are building ships of 29,000 tons. In one case, we are building a ship of 45,000 tons, the largest tanker in the world, for citizens of Greek origin. It is very important shipbuilding work for us, and it is one reason we have our yard intact today. Yet, if those owners are going to pay us upwards of $7 million for a 29,000-tonner, and over $10 million for a 45,000-tonner, they are not going to be very happy about repeating that kind of order when the ship can be taken away from them and no compensation given in return.

Mr. DREWRY. Still, section 37, being a measure to apply in time of emergency, should not be done away with, should it?

Mr. STROHMEIER. I agree that section 37 should stay there. But again, I get back to attitude.

Senator BUTLER. I have never heard of section 37. But to me, just sitting here and listening to the colloquy, it seems that section 37 does not accomplish its purpose, anyhow, because if these ships are intended, by the persons ordering them, to find their way in times of emergency and war into the hands of the enemy, the most we can get is a forfeiture of money, and the ship is lost to us, anyhow.

I do not see where it is really too workable. It is a big penalty to pay for a doubtful cure of a problem. I think we are attacking the problem the wrong way.

Mr. STROHMEIER. It gets back to what I consider attitude. I think we should either be given approval to build or denied approval to build. I do not believe that the thing should be neither fish nor fowl.

Senator BUTLER. We should keep the ships in the hands of friendly people. If they are in the hands of people who, in time of emergency, would turn them over to the enemy, then I think the regulation, from that standpoint, may be a little frivolous.

Mr. STROHMEIER. There is one thing that I am at a complete loss to justify, the requisitioning aspects of it. I think we are leaving ourselves wide open to a good many of the imperialistic charges that are being made against us by our enemies, when we insist that a foreign owner who puts his ship under a foreign flag must hand his ship over to us when we want it, without consulting the country whose flag he flies.

Let us reverse the situation. The ships that we are talking about are under Panamanian or Liberian flags. They are little countries. We are a big country. We enter into a deal between our country and the private owner, and we do not consult the country whose flag that owner flies.

Suppose it were reversed. Suppose I, as an American, were to go down to some little shipyard in Panama, if one existed, and ordered a ship to be put under the American flag, and I agreed with the Republic of Panama that they could requisition my ship any time they wanted to. I am very sure someone would call me on the carpet and say that I had no right to hand to some foreign country a first claim on my American ship.

Mr. DREWRY. The thing that interests me, Mr. Chairman, is Mr. Strohmeier's statement that these restrictions are imposed solely by the Maritime Administration, without regard, apparently, to the Department of Defense or the Department of State.

Mr. STROHMEIER. As I understand it, the sole discretion is in Maritime. But in these cases, they did refer this question to the Department of Defense. So, the policy was worked out in conjunction with the Department of Defense. In other words, Maritime did what I think any conscientious agency should do, coordinated what it was doing with other agencies.

Senator BUTLER. In other words, what we are really doing is hedging around our inability to face up to the fact that we ought to have an adequate nucleus fleet by drawing back into ourselves anything that we built here. We might just as well take back an automobile from the fellow who brought it in from abroad, if we need automobiles.

Mr. STROHMEIER. If you were going to buy either a Ford or a Chevrolet, but one of them had strings attached, and the other one did not, which one would you take?

Senator BUTLER. It is a sort of weakness, in a way.

Mr. STROHMEIER. I think when this country makes a deal with a private citizen of another country, without going through his government, and we take a first claim on his ship, out from under the proper right of the government whose flag his ship flies, does not that leave us wide open to this charge of American imperialism and pushing around little countries without regard to their own rights? It does to me.

Senator BUTLER. It certainly is something interesting and should be studied. I think that provision should be very carefully looked into. I have never heard of it until today.

Mr. DREWRY. The interesting thing is that there have been 69 ships—is that right, Mr. Strohmeier?

Mr. STROHMEIER. Out of 67 tankers in this period, 50 of them were for foreign-flag operation.

Mr. DREWRY. That is a great many more than were built for American-flag operation.

As the chairman suggests, we are living in a sort of fool's paradise to try to tie strings onto those ships while doing nothing about the ships that we really can control and be sure of controlling.

Mr. STROHMEIER. Have you considered this? The shipbuilding activity in the United States is only a drop in the bucket, compared to the shipbuilding activity, worldwide.

I like to consider this thing as a great big sieve. We are trying to plug up one little hole in the sieve. I do not think that is the way to accomplish these objectives.

Senator BUTLER. It does not seem so to me, offhand. I have not heard of the problem. It is not the right approach to the problem. I can see the problem, but this does not seem to be the proper approach to it.

Mr. STROHMEIER. Without any change of law, merely a change of attitude, Maritime can say, "Permission granted," and attach no strings. They have the right, by law, to put conditions on, but they are not compelled by law to do so.

Mr. DREWRY. And you do not feel that any substantial reason exists, at least with respect to the orders that have been under negotiation in recent years, to put those conditions on, I mean, there could be if the ships were known to be trading in the Iron Curtain trade, there would be every justification, and even an obligation on them, to not put restrictions on, but say no?

Mr. STROHMEIER. Let us consider the ships we are talking about. We are talking about super tankers. There are not very many places a super tanker can trade because of its size and draft. There are not many customers that these vessel owners can turn to for a charter. He has to go to a big oil company, or some Government agency, for the employment of his vessel.

It is not like a small dry cargo ship that could go anywhere and trade anywhere around the world. These ships are restricted by their own characteristics. You can name on the fingers of your two hands about all the oil companies that would have use for a very large tanker. Those oil companies are basically American and British.

Mr. DREWRY. Do you think that proposal which Mr. Sanford made the other day—I assume you are familiar with it—would help correct this situation?

Mr. STROHMEIER. You are referring to the scrapping of the 1,000——

Mr. DREWRY. No, not that one, the legislative proposal that accompanied his statement, that there be a modification to the 1916 act to ease this question of receiving Government clearance?

Mr. STROHMEIER. I think that would be a step in the right direction.

Senator BUTLER. I think maybe we ought to look into this. I think hearings were certainly held on that provision. Maybe they should be incorporated in this record so we can study that. It is a big problem. It is a problem that seems to me, at the moment, is insoluble.

I do not think this really solves the problem. It does seem to me this is an unusual restraint on alienation. I do not think it does what it is supposed to do.

Mr. STROHMEIER. We have owners today who want to cancel their present new building. They are willing to pay us the full cost of the ship, plus our anticipated profit, because they say they simply cannot live on an agreement with the United States that might be second-guessed years hence, that they cannot, in clear conscience, go to a would-be charterer and say, "I have a ship that I can make available to you for 5, 7, or 10 years." They do not know.

Senator BUTLER. It is a little bit of a dog-in-the-manger attitude. We will not use the facilities ourselves and will not let the owners use them. We are not fair to ourselves or the owners.

Mr. DREWRY. I know you are trying hard to get to your "sum up."

You are familiar with the bill that was recently set up by the administration to reduce the age of eligibility for trade-in under the 1936 act in regard to 10-year-old tankers. What are your thoughts about the effectiveness of that provision, or what inducement it will offer and, if so, to what degree?

Mr. STROHMEIER. I do not, frankly, look for any flood of tanker orders as a result of it. I think it is a very definite step in the right direction. It encourages the building up of a strategic reserve of tankers which this country very sorely needs.

It is good from that standpoint. If it does that, it will create some shipbuilding, because the two go hand in hand.

But, offhand, I would not look for any substantial amount of shipbuilding as a result of it.

Mr. DREWRY. Do you think there may be some?

Mr. STROHMEIER. There may be some. In some cases, that might fit some particular owner's situation. But if an owner of a T–2 tanker, for instance, is getting reasonably satisfactory service from the ship, it is rather difficult for me to see how he could justify disposing of a perfectly good operating unit, even though it is approaching 10 years of age, and spending maybe another $5 million just to build equivalent tonnage, for which he cannot receive any more charter rate.

Mr. DREWRY. Even though that useful ship or middle-aged ship would be taken into account by the Government when they made the allowance for credit on the new one? Would not that be some inducement there? It is 2 years now, but it used to be 17 years that a vessel had to be before it could be traded in.

Mr. STROHMEIER. What it does is provide an automatic market for old ships. The owner might not otherwise have such a market. To that extent, it would all be helpful. I think it is in the right direction.

Senator BUTLER. As I understood it, these ships were not to be obsolete in the sense of not being useful. They would become a mothball fleet for emergency purposes.

Mr. STROHMEIER. That is correct. They are to be useful ships for the strategic reserve.

Senator BUTLER. That is right, which would suggest to my mind that the trade-in value of the old ship would be a considerable amount.

Mr. STROHMEIER. It should be a generous amount.

Senator BUTLER. I would think so.

Mr. STROHMEIER. In order to provide the proper inducement.

Mr. DREWRY. The purchase of a useful ship, rather than getting rid of scrap?

Senator BUTLER. Yes. The Government would be buying a ship that it figures it will need in the future, and at the same time getting another ship that it is going to need at the same time when it needs the old one. It is bound to pay more for that kind of thing than it would otherwise.

Mr. STROHMEIER. I believe the effectiveness of the legislation, again, will depend on its administration. If the turn-in allowance is on the cost of the vessel to the owner, minus usual depreciation, I do not think it is going to induce any new building.

Senator BUTLER. I would not think so either.

Mr. STROHMEIER. There should be a very substantial allowance.

Senator BUTLER. There has to be an allowance made for what you say. It has to be attractive for this many to get new tonnage for old tonnage at minimum cost; if not, they will not build.

Mr. STROHEIMER. The allowance given the owner should not be considered a payment to him. The benefit to the country is in having a shipbuilding industry going, is in building ships during peacetime that might otherwise not be built until another war emergency, so that the country benefits tremendously by it, not simply the vessel owner.

I think if that attitude is in the picture, the thing will work.

Senator BUTLER. In other words, it will just be a little bigger subsidy; is that what you think it ought to come down to?

Mr. STROHMEIER. Yes.

Mr. DREWRY. What I wanted to ask you was: You mentioned that in the postwar period, only 3 passenger ships have been constructed, whereas there was recommended as many as 46.

I have heard at least 1 rumor to the effect that 2 of those passenger ships, namely, the *Independence* and *Constitution*, are seriously suffering and soon will be out of competition because of certain structural aspects of them, namely, that they are subject to uncomfortable vibration. I believe your company had some intimate relationship to those vessels. I wonder if you would care to comment on that rumor and dispose of it?

Mr. STROHMEIER. The ships do not vibrate now. They are very smooth. We did have three-bladed propellers on the vessels initially. We changed those propellers to five-bladed propellers. The ships are now as smooth as silk.

Mr. DREWRY. That licked the problem?

Mr. STROHMEIFR. Yes, sir. To sum up:

1. This country will be without an adequate shipbuilding industry by the end of next year.

2. Without an adequate shipbuilding industry, this country cannot defend itself.

3. New shipbuilding orders are needed immediately to reduce the loss of shipbuilding skills now taking place.

4. The Merchant Marine Act must be made to work by a change of attitude toward it. Encouragement should be given all who wish to build ships under the act.

5. Restrictions on building for foreign owners should be eliminated, at least for owners who are citizens of NATO countries.

Thank you very much, Senator.

Senator BUTLER. Thank you very much, Mr. Strohmeier. It has been illuminating to me. I have enjoyed it. We appreciate having you here.

Mr. STROHMEIER. I enjoyed having the opportunity to be here.

Senator BUTLER. I am sure your testimony will be very helpful to the subcommittee. We will be in recess until 10 o'clock tomorrow morning, when Mr. Buchanan of the Texas Co. will be the witness.

(Whereupon, at 3:15 p. m., the subcommittee recessed, to reconvene at 10 a. m., July 23, 1953.)

# MERCHANT MARINE STUDIES

**THURSDAY, JULY 23, 1953**

UNITED STATES SENATE,
SPECIAL SUBCOMMITTEE ON MARITIME SUBSIDIES OF THE
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
*Washington, D. C.*

The subcommittee met, pursuant to call, in room G–16, Capitol, at 10:15 a. m., Senator Charles E. Potter, presiding,

Present Senator Potter.

Also present: Mr. John M. Drewry, special counsel to the subcommittee.

Senator POTTER. The subcommittee will come to order. This is the subcommittee that was established to study maritime problems. The particular phase of our study at the present time is as to the size and composition of our merchant marine.

We are pleased to have before us this morning Mr. T. E. Buchanan, general manager, marine department, the Texas Co., as the first witness. Mr. Buchanan, if you care to have your counsel with you, he may come up, too.

## STATEMENT OF T. E. BUCHANAN, GENERAL MANAGER, MARINE DEPARTMENT, THE TEXAS CO.

Mr. BUCHANAN. My name is T. E. Buchanan. I am general manager, marine department, the Texas Co., New York.

I was both honored and pleased to receive an invitation to appear before your committee and express my views. I am cognizant of the broad field your committee must cover in reviewing the policies of our Government in the maritime field, and hope I may assist you by furnishing some of the information you require.

My remarks will be limited to the tank-ship fleet, as I believe my experience of more than 30 years in the construction and operation of tankers best qualifies me in that field. The statements and suggestions I am to present are my own, and are not intended in any way to indicate or reflect the views of policies of the company with which I am associated.

I shall first comment briefly on the tank-ship fleet as it is now constituted, under the United States and foreign flags. Then, I wish to offer several suggestions for your consideration.

Immediately after World War II, nearly 60 percent of the world's tanker carrying capacity was under United States registry. Since that time, our relative portion has declined to just under 30 percent. This will undoubtedly further decline during the next 5 years, since shipbuilding programs of other countries far surpass our own. In fact, present indications are that at the end of 1957, our portion of

the world tanker fleet will not exceed 22 percent. The tank-ship fleet statistical data on the attached sheet, compiled from a study made in late 1952 and similar previous studies, will be of interest in this respect.

There are now under construction, or on order, worldwide, approximately 700 tankers—935 T–2 equivalents—aggregating about 14,815,000 dead-weight tons, of which only 25—37 T–2 equivalents—totaling about 577,000 dead-weight tons, are for American-flag operation. It is indicated that the carrying capacity of the 1957 world fleet will be increased by about 56 percent if there are no losses from casulaties or scrapping, and by about 40 percent if all vessels over 20 years of age are deleted. However, the corresponding United States-flag fleet increases will be only about 10 percent and 4.3 percent, respectively.

Senator POTTER. What countries are most active in the construction of new tankers?

Mr. BUCHANAN. The United Kingdom, Germany, Sweden, and France, I would say, are the principal ones in that order.

Senator POTTER. Do we have many of those ships under those flags carrying oil to America?

Mr. BUCHANAN. Yes, a substantial quantity, I would say.

Senator POTTER. In other words, it is not just for their own national needs?

Mr. BUCHANAN. No, sir. It is for independent tanker owners. It is for oil companies who have operations abroad, and for, I should say, companies in which American corporations have interests.

Senator POTTER. Many of our large oil companies which have their own fleet of tankers—do they not—also have tankers under foreign flag?

Mr. BUCHANAN. I deal with that a little later, Senator, and then maybe I can go into further detail about it, if you wish.

Because of accelerated wartime building programs, age distributions reflect a heavy concentration of tonnage constructed during the period 1942 through 1945. This unbalanced condition with the problems of block obsolescence will have a profound effect, particularly in the United States, on the timing of tanker replacements for many years to come. Assuming a 20-year life for tankers, the most desirable age distribution would be one in which approximately 5 percent of carrying capacity needs replacement each year.

Our present fleet of 508 T–2 equivalents would represent on a balanced 20-year pattern a replacement of approximately 25 T–2's per year. On this basis, the 4-year period from 1942 through 1945 should account for about 102 T–2 equivalents, whereas in the actual fleet, vessels built during these years aggregate nearly 405 T–2's. Thus, in this span, normal replacement is exceeded by approximately 303 T–2's, or just under 60 percent of our existing total fleet. Putting it another way, of our 508 T–2 equivalents at October 1, 1952, 405 T–2 equivalents, or about 80 percent of the fleet, will reach 20 years of age between 1962 and 1965.

A few comments relating to foreign-flag operation are pertinent here. There are a number of foreign corporations engaged in the petroleum and transportation business operating in the Eastern Hemisphere. United States corporations have varying degrees of stock participation in several of these companies. For the most part, the

tanker fleets owned by such companies fly the flag of the country of origin and, therefore, are subject to the laws of that country.

Two of the principal factors which have determined the nationality of these vessels are currency problems and economics. As to the first, availability of dollars to pay for the construction and running expenses of ships is a paramount consideration. Ship expenses are usually paid in the currency of the flag of the vessel, and freights earned are received in similar currency or in sterling. These ships must be operated under conditions which conform to the competition of the trade.

As to the second important factor, economics, the very substantial difference in American-flag versus foreign-flag cost of operation, together with the considerations enumerated above, and the regulations in the countries to be served, just about closes the door to American-flag operation.

An inquiry into the reasons for foreign subsidiaries of American corporations registering tankers under Panamanian flag will illustrate the fundamental economics of our American merchant marine problem.

The standards of wages and working conditions on tankers under United States registry are generally higher than those under foreign registry. What many people do not know is that the cost of maintaining these better conditions on American ships places ships operated under our flag at a distinct disadvantage in competition with tankers operated under foreign flags.

A modern tanker of about 28,000 tons dead weight which could be built for approximately $4½ million—$160 per dead-weight ton—in a foreign yard would cost about $7 million—$250 per dead-weight ton—in this country, or $2½ million more. Carrying charges in this higher investment, together with much higher United States wage costs, place American-flag operation at a disadvantage of approximately $496,000 per year, or $1,480 per operating day, as set out below:

*American-flag operation greater*

| | Foreign | United States | Per annum | Per operating day (335 days per year) |
|---|---|---|---|---|
| Depreciation, at 5 percent per annum | $224,000 | $350,000 | $126,000 | $376 |
| Interest, at 3 percent per annum | 134,400 | 210,000 | 75,600 | 226 |
| Insurance, at 2 percent per annum | 89,600 | 140,000 | 50,400 | 150 |
| Wages, per annum | 106,000 | 350,000 | 244,000 | 728 |
| Total | 554,000 | 1,050,000 | 496,000 | 1,480 |

You will see from the tabulation, Mr. Chairman, that depreciation on the excess investment is $126,000 higher. Interest, at the arbitrary figure of 3 percent, is $75,600. All types of insurance, figured on an overall average of 2 percent, is $50,400, and wages, $244,000 per year higher than under foreign flag.

The penalty is actually somewhat greater than this since supplies and miscellaneous items cost more under United States-flag operation, and repairs in European yards are less than in American yards.

Americans, therefore, cannot, as a general rule, successfully compete with foreign built and operated tankers in transporting oil in the international trade unless their tankers are registered under

foreign flags. There are a few exceptional situations where American-flag tankers do operate in foreign trade, but these few exceptions serve only to prove the rule.

Mr. DREWRY. You say "foreign trade." Do you mean in the foreign trade of the United States, or do these American-owned foreign-flag vessels trade all over the world?

Mr. BUCHANAN. Cross trades, as we refer to it in shipping, between foreign countries, as well as from the United States, and noncontiguous trade.

Mr. DREWRY. American-flag tankers do, to a considerable extent, operate to and from the United States, do they not, in the foreign trade?

Mr. BUCHANAN. At times. At the present time there are quite a few. But, generally speaking, you will find that business carried on mostly by foreign-flag ships. You have today American-flag ships trading for the Military Sea Transportation Service in foreign trade. I do not think that can be taken as a continuing operation.

You find in the nearby foreign trades, Cuba and the Caribbean area, there are some of those operations in which an American flag has a certain advantage. But by and large, I think that the American-flag tanker is dedicated to the protected areas. Does that answer the question?

Mr. DREWRY. Yes, sir. The American-owned foreign-flag tankers which operate extensively in the cross trades, in competition with the foreign-flag operators, is the type of trade which you could hardly, under any circumstances, operate under the American flag, is that correct?

Mr. BUCHANAN. That is correct. I would not refer to it, if you do not mind, as "American-owned foreign-flag." They are really owned by foreign companies and are governed by the laws of those countries. The fact that an American corporation may have an interest in that company, that is what you probably mean——

Mr. DREWRY. That is more accurate.

Mr. BUCHANAN. They are not American-owned, because under the regulations, they are under the foreign countries.

Mr. DREWRY. The foreign countries have the same requirements as to citizenship of the stockholdings as we do?

Mr. BUCHANAN. Different countries differ.

Mr. DREWRY. Generally speaking, they do require that the controlling interest be in nationals of that country?

Mr. BUCHANAN. Yes. In a lot of the major foreign countries; that is correct.

Mr. DREWRY. As far as the registry of these tanker vessels in foreign corporations, where there is an American interest, are they under all flags, as well as the Panamanian, for instance, where I suppose most of them are? Are they under the Swedish flag or German flag?

Mr. BUCHANAN. I did not quite get the question.

Mr. DREWRY. Is there a heavy American interest in foreign corporations in other countries than Panama, for instance?

Mr. BUCHANAN. It is rather substantial. I think I have some figures on that.

Mr. DREWRY. Germany, France, England?

Mr. BUCHANAN. England. There are several tankers under British flag, owned by British corporations, in which United States corporations have substantial stock ownership. But those ships are subject to British law and British regulations, and would not necessarily be available to the American stock-participating company in an emergency.

The same would apply to France, to Norway, to Sweden, to Denmark, to Holland, to any of those countries.

Senator POTTER. Do we have any wholly owned American companies that have tankers flying a foreign flag?

Mr. BUCHANAN. Wholly owned subsidiaries of American corporations?

Senator POTTER. Yes.

Mr. BUCHANAN. Yes, there are some; quite a few.

Mr. DREWRY. Where are they?

Mr. BUCHANAN. Primarily Panama, Liberia.

Mr. DREWRY. Honduras?

Senator POTTER. Are you in a position to tell us what companies?

Mr. BUCHANAN. I think I have some data on that, if you want me to look it up now.

Senator POTTER. If you do not have it readily available, you can submit it.

Mr. BUCHANAN. I think I have something on that. Could I supply it to you, to make sure that it is right?

Senator POTTER. Yes. Without objection, it will be made a part of the record at this point.

(The material referred to is as follows:)

THE TEXAS CO.,
*New York 17, N. Y., August 4, 1953.*

The Honorable CHARLES E. POTTER,
*The United States Senate, Washington, D. C.*

DEAR SENATOR POTTER: As requested at the time of my appearance before your Maritime Subsidies Subcommittee in Washington on July 23, 1953, attached is list of foreign tanker tonnage shown in the publications indicated as owned by United States interests. I am unable to verify its accuracy except as to The Texas Co.

I have not attempted to include the fleets of such independents such as Ludwig and Goulandris, since so little information is published about their holdings.

Very truly yours,

T. E. BUCHANAN.

*Foreign-flag tankships owned by foreign subsidiaries or affiliates of United States corporations (6,000 dead-weight tons and over), June 1, 1953*

| United States corporation | Foreign owner | Flag of operation | Number of vessels | Dead-weight tons |
|---|---|---|---|---|
| The Atlantic Refining Co | Tanker Transport, Inc | Liberian | 1 | 16,739 |
| Barber Oil Corp | Atlas Tankers | Panamanian | 5 | 141,405 |
| Standard Oil Co. of California. | California Transport Corp | Liberian | 6 | 168,446 |
| The Texas Co. and Standard Oil Co. of California. | Ned. Pacific Tankvaart Maats., N. V. | Netherlands | 6 | 95,394 |
| | Outremer de Nav. Pet., S. A. F | French | 1 | 16,415 |
| | Overseas Tankship Corp | Panamanian | 24 | 399,507 |
| | Overseas Tankship (U. K.), Ltd | British | 19 | 299,806 |
| | Tokyo Tanker Co., Ltd. (Japan) | Japanese | 1 | 16,460 |
| Standard Oil Co | Cia. de Petroleo Lago | Venezuelan | 1 | 6,675 |
| | Dansk Esso A/S | Danish | 2 | 32,410 |
| | Esso Petroleum Co., Ltd | British | 19 | 309,040 |
| | Esso Standard (Belgium) | Belgium | 2 | 31,850 |
| | Esso Standard S. A., Fr | French | 8 | 123,972 |
| | Esso Transp. Co., Ltd | British | 3 | 49,590 |
| | Imperial Oil, Ltd | do | 2 | 25,020 |
| | Imperial Oil Shipping Co., Ltd | do | 7 | 126,236 |
| | "LaColumbia" Soc. Mar. Per Azioni | Italian | 2 | 27,591 |
| | Ostlandske Pet. Cia. A/S | Norwegian | 1 | 9,870 |
| | Panama Transport Co | Panamanian | 17 | 330,278 |
| | Waried Tankschiff Rhederi G. m. b. H. | German | 2 | 28,835 |
| Gulf Oil Corp | Afran Transport Co | Liberian | 8 | 219,750 |
| Socony-Vacuum Oil Co., Inc. | Brilliant Transp. Co., S. A | Panamanian | 2 | 58,750 |
| | Deutsche Vacuum Oel A/G | German | 1 | 13,498 |
| | Mazout-Transports S. A | French | 2 | 25,369 |
| | Socony-Vacuum Transp. Co., Ltd | British | 1 | 10,155 |
| | Oriental Trade & Transp. Co., Ltd | do | 7 | 111,794 |
| | Petroleum Shipping Co., Ltd | Panamanian | 4 | 66,419 |
| The Texas Co | The Texas Co. (Norway) A/S | Norwegian | 7 | 110,040 |
| | The Texas Co. (Panama), Inc | Panamanian | 4 | 112,324 |
| Texas Petroleum Co | | do | 1 | 7,342 |
| Total | | | 166 | 2,992,180 |

Sources: Moody's Manual of Investments, International Petroleum Register, Appendix to Lloyd's Register Book.

Mr. DREWRY. Before you proceed, Mr. Buchanan, Admiral Wilson has referred to vessels under certain flags as being under effective United States control. I would like your confirmation of how effective that control can be when the vessels are under any foreign flag?

I think from what you just stated you could hardly say that vessels under the flags of any or most of the European countries would be under effective United States control.

Mr. BUCHANAN. I do not think that any foreign-flag tanker flying the flags of the leading maritime powers in the Eastern Hemisphere, in Europe, is under United States control.

The only time it would be under control is if the tonnage was put in pursuant to the NATO obligations. But I comment on that a little bit more in the statement, if that temporarily answers your question.

Mr. DREWRY. All right.

Mr. BUCHANAN. If I may be permitted to forecast for the future, I do not believe the commercial needs for American-flag tankers in our domestic operations will materially increase in the future. Notwithstanding our expanding economy, the increased cost of building and operating tankers under the American flag is having the effect of narrowing their sphere of operations. As a result, other cheaper and more efficient methods of transportation, such as pipelines, probably will, to a substantial degree, supplant sea transport, so that in the future, the total volume to be handled by ocean tankers will represent a smaller percentage of the whole.

I now wish to offer several suggestions for your consideration and want to state for the record that I am not in favor of the Government granting construction subsidies or operating differential subsidies as a means of promoting the construction of tankers to be used in services essentially of a proprietary nature. I believe this to be contrary to the private-enterprise system.

First, I wish to make a suggestion concerning the reserve fleet. I understand the present Maritime Administration—as well as the predecessor United States Maritime Commission—is not in favor of Government operation of tankers in point-to-point transportation of petroleum essentially commercial in nature. I am also advised Government operation of merchant vessels in competition with private owners is not in accord with the policy expressed in either the Merchant Ship Sales Act of 1946, or the Merchant Marine Act, 1936, as amended. If my information is correct, it would seem appropriate for the Government to lay up the sixty-odd tankers now being operated under General Agency-type agreements for the Military Sea Transportation Service and for such tankers not to again be commissioned or used, except in a national emergency.

Under prevailing conditions, I believe there are sufficient privately owned tankers available to take care of presently known requirements of the MSTS. If, in the future, due to winter peak-load conditions or other abnormal situations not now foreseen, American-flag tankers should not be available in sufficient numbers to take care of MSTS requirements, such could doubtless be met by chartering foreign-flag tonnage.

Mr. DREWRY. You would prefer that to breaking out the laid-up ships to meet the demand?

Mr. BUCHANAN. If it is a temporary situation, I think it would be the more economical thing to do, because when a ship goes into lay-up, there is a sum of money expended, and there is also a sum of money expended to recommission her.

If you had a temporary situation, as we have in the shipping business, I think probably the taxpayer would save money if this method were resorted to.

Mr. DREWRY. It is very expensive to put the ships in and take them out of lay-up?

Mr. BUCHANAN. Expense is a relative term. It does cost money. It depends how far you want to go into the lay-up procedure. I would say, if I were to guess it roughly, probably $150,000 would lay them up and break them out. It would be somewhere on that order.

Senator POTTER. How long does it take to take a ship out of mothballs and make it an active ship in the fleet?

Mr. BUCHANAN. Assuming she is close to a repair yard, I should say a couple of weeks.

Mr. DREWRY. Do you think there might be some danger that such a policy would give extra incentive to competing foreign nations to build even more than they are building?

Mr. BUCHANAN. I think the requirements, as we now know them, of the MSTS, could probably be met with American-flag ships.

There are a lot of citizens who purchased ships under the provisions of the Ship Sales Act who now have them in lay-up with no business.

Mr. DREWRY. I was going to ask if there were any in lay-up.

Mr. BUCHANAN. Yes. I have a list of that lay-up fleet.

Mr. DREWRY. We would like to have that.

Mr. BUCHANAN. I have it right here.

Mr. DREWRY. We have received a lot of correspondence on that.

Mr. BUCHANAN. According to information available to me, on July 7, 1953, there were laid up throughout the world 103 tankers, totaling 1,024,000 dead-weight tons, of which 26 were United States flag and 77 were foreign flag. I think that number is a little bit larger today.

Mr. DREWRY. How many tankers does the MSTS have at the present time under general agency agreements?

Mr. BUCHANAN. Somewhere in the order of 60, if I remember correctly.

Mr. DREWRY. They are not fleet oilers? They are not the *Cimarron* class?

Mr. BUCHANAN. Not according to my conception of what a fleet oiler is.

Mr. DREWRY. My conception of a fleet oiler is that it is strictly an active military auxiliary vessel against a vessel carrying and stockpiling supplies.

Mr. BUCHANAN. A fleet oiler is what we call a "AO" that is attached to the fleet, that is performing Navy functions.

The MSTS ships to which I make reference are vessels of the T–2 type, or the Mission type that are operated by citizen corporations under a general agency-type of agreement, carrying oil from point to point.

Mr. DREWRY. How long have they been carrying out those general agency operations, Mr. Buchanan?

Mr. BUCHANAN. I am testing my memory, sir. I believe it commenced in 1948, and they started the lay-up program in 1949, Korea came along and they broke them out, and they are still running them. That is my best recollection, but I think the records are available.

Mr. DREWRY. Do you know either indirectly or in a general way what their authority is for general agency operations? On dry cargo, the general agency operations are handled by the Department of Commerce.

Is there anything so different about the operation of tankers for what you conceive to be more of a commercial type of operation than there would be insofar as dry cargo is concerned?

Mr. BUCHANAN. I would rather not comment on the authority of the Government to run the ships, or a branch of the Government. I was speaking of the economics of it.

I cannot pinpoint the specific authority. I do not know if, at the moment——

Mr. DREWRY. It is a reasonable answer. The thought occurs to me that if a tanker is in commercial operations, the fact that the cargo is liquid instead of dry is hardly any reason why there would be one rule in one case and one in another.

Mr. BUCHANAN. I would like to make myself clear. I am not opposed to the Government, through the MSTS, operating tankers in an emergency, if there are not enough available in the world. But I think when there is a surplus, as the situation is at the present time,

with no immediate indication of a substantial change in that position, the Government then is competing with private industry. I understand that to be contrary to Government policy.

Senator POTTER. Do you know whether the tankers that are operated by MSTS are the war-built tankers?

Mr. BUCHANAN. They are the war-built tankers; yes, sir.

Senator POTTER. Do you, in your statement, go into the legislation which this committee passed out today from the full committee for this replacement program for tankers?

Mr. BUCHANAN. I comment on what I think would be a scheme. It has nothing to do with the legislation, because I only heard about this bill just the other day. I dwell on that a little.

Senator POTTER. I think maybe it would be well for you to finish your statement, and then we will discuss it.

Mr. BUCHANAN. Second, I suggest consideration be given to a program of long-term time chartering by MSTS of American-flag tankers. This could well result in the construction of new, efficient tanker tonnage in American yards, with resultant economical transportation for the Government.

Third, if the Maritime Administration should initiate an "old for new" trade-in program, I believe this would result in the construction of additional tankers by private industry. The Government could accept T–2 tankers as trade-ins, such vessels to be placed in the reserve fleet and broken out only in the event of a national emergency. It is imperative that the trade-in allowance be definitely spelled out, and something similar to the following is suggested:

(*a*) The allowance to be based on the statutory sales price, in accordance with the Merchant Ship Sales Act of 1946, less 5 percent depreciation per year, to which should be added the cost incurred by the owner since acquisition as a result of strengthening, strapping, and betterments, if any.

(*b*) The owner to undertake to construct replacement tonnage equal in carrying capacity to the tonnage traded in, such ships to be of a design to meet his own special requirements, but the speed to be not less than 16½ knots.

(*c*) The owner to have the right of accelerated amortization on new ships, amounting to not less than 50 percent of the construction cost. Accelerated amortization is now available under the Internal Revenue Code, but this terminates upon Executive proclamation declaring the present national emergency to be over.

And now, in conclusion, I firmly believe it is essential that this country maintain control of a large tanker fleet. Anyone familiar with our tanker problems during both world wars knows that it is a military necessity to do so. During World War II, almost two-thirds of all tonnage shipped overseas consisted of petroleum products. Petroleum products have to be carried wherever there are fighting men, planes, or ships.

As the number of tankers needed in time of war far exceeds the peacetime requirements, it seems to me clearly in the national interest to encourage—not discourage—Americans, through foreign subsidiaries, to operate tankers under foreign flag.

Of the foreign flags that are available for registration of tankers, I believe it important that the flags to be selected be those which

assure United States utilization in an emergency. It will be recalled that immediately after the start of World War II, many Panamanian-flag tankers were promptly made available to the United States for military purposes.

If economic factors permitted, we would, of course, rather operate ships under the American flag than under foreign flags, but we believe it is much better for our country that Americans, through foreign subsidiaries, continue to have ships under a foreign flag, than not to have them at all.

I want to thank you again for inviting me here to express my views on this important subject.

Mr. Chairman, I would like to have this chart made a part of the record.

Senator POTTER. Without objection, the chart will be made a part of the record at this point:

(The chart referred to is as follows:)

*Tank ship fleets—T2–SE–A1 equivalents (ocean-going vessels 2,000 gross tons and over)*

| | As of Oct. 1, 1952 | | | As of Sept. 1, 1945 | | | As of Sept. 1, 1939 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number | Dead-weight tons | Percent of world | Number | Dead-weight tons | Percent of world | Number | Dead-weight tons | Percent of world |
| United States | 508.3 | 8,521,600 | 29.4 | 756.2 | 12,677,700 | 59.8 | 185.3 | 3,106,600 | 23.9 |
| Government | 113.0 | 1,894,400 | 6.5 | 561.6 | 9,415,200 | 44.4 | 17.4 | 291,700 | 2.2 |
| USMA | 2.0 | 33,500 | .1 | 460.9 | 7,727,000 | 36.4 | | | |
| Military | 111.0 | 1,860,900 | 6.4 | 100.7 | 1,688,200 | 8.0 | 17.4 | 291,700 | 2.2 |
| Private | 395.3 | 6,627,200 | 22.9 | 194.6 | 3,262,500 | 15.4 | 167.9 | 2,814,900 | 21.7 |
| Oil companies | 272.2 | 4,563,400 | 15.8 | 154.6 | 2,591,900 | 12.2 | (1) | (1) | (1) |
| Nonoil companies | 123.1 | 2,063,800 | 7.1 | 40.0 | 670,600 | 3.2 | (1) | (1) | (1) |
| World | 1,726.8 | 28,949,800 | 100.0 | 1,264.5 | 21,199,400 | 100.0 | 775.6 | 13,003,000 | 100.0 |
| United States fleet: | | | | | | | | | |
| Average age | 9 years 3 months | | | 6 years 1 month | | | 16 years 2 months. | | |
| Average speed | 14.6 knots | | | 13.74 knots | | | 10.16 knots. | | |

[1] Not available.

Senator POTTER. Mr. Buchanan, I have a phone call which I have to make now. Mr. Drewry will have some questions to ask you. I will be back after I make the phone call.

Mr. DREWRY. The legislation which we mentioned, Mr. Buchanan—I am not surprised if you have not had time to hear about it, because it came up rather quickly—is S. 2408, which was introduced last Friday. A short hearing was held on it with Department of Defense and Department of Commerce witnesses testifying on it.

It was reported by the subcommittee and acted on by the full committee just at 10 o'clock this morning. That bill provides for an amendment to section 510 (b) of the Merchant Marine Act. The principal effect it would have would be for a period of 5 years to reduce the trade-in age of an older tanker from the present minimum of 12 to 10 years, in order to get into this group of war-built T–2's. Otherwise, it is just about exactly the same as the present trade-in provisions of the law, with the formula for the things that are to be taken into consideration.

Offhand, do you think that change of making section 510 available will produce any results, either substantial or of a slight nature?

Mr. BUCHANAN. From what you say, I gather this proposed legislation reduces the age from 12 to 10 and nothing more.

Mr. DREWRY. That is about all. The national defense features on the new tankers, of course, will be assumed by the Government. There would be an allowance of credit, and then the application of the formula that is presently in the 1936 act, which gives several different methods of arriving at it, including the usefulness of the vessel.

Mr. BUCHANAN. I think, sir, that it is important the price be set on what the old ship would get on the trade-in. I think you have to determine a policy and then act pursuant to that policy. I believe that if a price is set somewhere along the lines of a world price, something along this formula that I have suggested, that sounds reasonable to me, I think it would result in the construction of new ships in the United States. How many is really crystal gazing. I just do not know. I think it would result in the construction of some.

The more important thing we have to think about, or not lose sight of, is the inflationary trend that has happened in this country since these ships were built.

If my memory serves me correctly, I believe the T–2 shipbuilding program cost the Government something on the order of around $3 million apiece. They were sold under the price formula of the Ship Sales Act. I think the statutory sales price is $2 million, plus adjustments for war abuse and depreciation. If you were to duplicate that ship in a yard today, it would probably cost you considerably more than $5 million.

So despite what a trade-in value will be, however it may be arrived at, the builder of the new ship has this inflationary price to contend with, and he can only hope that the new unit will be more efficient and he will get it back in lower carrying charges over the life of the ship, because the T–2's, while they are getting older, are still good vessels. They have considerable years of remaining usefulness.

But the problem does face the industry. You do have block obsolescence, and such a program might stagger it so that you have a little more orderly replacement program. I think it is sound.

Mr. DREWRY. As a matter of fact, you really would not want such a trade-in program to be so attractive that all of the vessels presently owned would be traded in, I mean, you would have block obsolescence again?

Mr. BUCHANAN. I do not believe the Government, in its wisdom, would ever want to pay, for a ship that it sold, a price higher than it received. It does not make very much logic to me.

Mr. DREWRY. Of course, the concept, as I understood the testimony from the Department of Commerce, was that this would not be merely a program for the encouraging of new construction, as such, but an acquisition of usable ships to provide, as you suggest in your statement, a reserve of useful ships for time of emergency, which would be held for emergency.

Mr. BUCHANAN. That is right.

Mr. DREWRY. You also advocate, of course, that the design of vessels be something that would be solely, or largely, at least, in the hands of the operator himself, rather than any standard design which would be developed by the Government, subject to agreement on national defense features?

Mr. BUCHANAN. On that feature, I may say that in 1940, our company embarked upon a program of what was then known as high-speed ships, considerably faster than the then accepted commercial speed.

The vessel was of our design to carry many grades of oil. We built eight of those ships. They have given a very good account of themselves. In point of fact, we received a warm letter of thanks from the Navy for having done so.

That particular ship may not necessarily suit the requirements of some other companies. So I think it is imperative that any program adopted leave to the shipowner the right of selection as to size and type within certain broad limitations. The vessel should have a speed that would be desirable, if there were a national emergency, providing it is not too excessive, and the sizes should be one that best suits the needs of the company at the time.

We recently contracted for some ships. As a matter of fact, one ship is already in commission. Another will go on her trials next week, and 2 similar vessels will be delivered within the next 6 months.

Those vessels are designed to our special requirements. They are rather formidable ships, we think. They have a deadweight of 19,200 tons. We are operating them at a speed of 19 knots. It so happens that suits our particular needs. It may not meet the requirements of some other company.

Mr. DREWRY. In those vessels, where you built them entirely out of your own funds, is there any conferring with the Department of Defense in connection with the design of them, or is that exclusively to meet your trade requirements without consideration of potential——

Mr. BUCHANAN. Before we built those ships, before we decided on the speed of those ships, we conferred with the Maritime Administration. As a result of our discussions, we concluded it would probably be in the best overall interest to step the speed up, which we did.

Mr. DREWRY. Is the Government assuming any portion of that cost?

Mr. BUCHANAN. Not a cent. We did not ask it and do not expect it.

Mr. DREWRY. In regard to tankers, you mentioned the 25-year life or you implied a 25-year life of the vessel. Are tankers different, from a physical standpoint, as far as their longevity is concerned, their useful life?

Mr. BUCHANAN. The speed and the trade has a lot to do with the life of a tanker. It is not so much the calendar years, as the work she does in a calendar year.

The higher the speed, and the more cargoes she carries, if you want to assume that the vessel is engaged in the carriage of gasoline, the shorter life, or the more money you have to spend to keep her going, until it finally reaches the point of the law of diminishing returns where it no longer pays to spend the sum of money necessary to keep her going and you scrap her.

In certain trades, long routes carrying crude oils or fuel oils, the vessel will last longer and cost less per year in maintenance.

Mr. DREWRY. A tanker has a much quicker turn-around than a dry cargo vessel by reason of the method of loading and unloading, does it not?

Mr. BUCHANAN. Yes. If we are in a port more than a day, somebody gets in trouble. I may say parenthetically that we have been operating large tankers from the Persian Gulf to the Western Hemisphere, the round trip being something on the order of 17,000 miles. We have loaded in 8 hours and discharged in 12 hours. We think that is pretty good turnaround.

Mr. DREWRY. A tanker, therefore, does, for that reason, among others, do more work in an equivalent period of time?

Mr. BUCHANAN. The operating days per year are substantially greater than in the cargo-ship business. We reckon on an overall average of the vessel working 335 days; the other 30 days are devoted to delays on account of fog, awaiting miscellaneous orders, minor breakdowns, crew difficulties, and so forth.

Mr. DREWRY. Just recently two tankers collided and destroyed themselves in the Delaware River, I think. I seem to recall another case of a tanker casualty. Have there been enough of those casualties in recent years to have had a serious effect in reducing the supply of tonnage under the American flag?

Mr. BUCHANAN. The total losses for marine casualties I do not believe, percentagewise, have gone up materially.

Senator POTTER. Mr. Buchanan, while I was out, did you discuss the legislation which the committee reported out today?

Mr. BUCHANAN. I answered some questions.

Senator POTTER. Is that a step in the right direction?

Mr. BUCHANAN. Definitely, but I think you have to do more. I think you have to decide what you are going to pay for the ship that is going to be traded in.

Senator POTTER. You think that should be a matter of congressional policy rather than administrative policy?

Mr. BUCHANAN. I do not know exactly what you mean by that, except I would say this:

If a vessel is to be traded in by the owner, and he has to do some financing to build another ship, I do not think the owner would feel very good if, 3 or 4 years later, the General Accounting Office or the Comptroller General came back and said, "You were paid too much."

Senator POTTER. You are talking about the validity of the contract that you enter into?

Mr. BUCHANAN. If you want to put it that way. I did not want to use those words.

Senator POTTER. I thought you had reference to the fact that the bill, as reported out, gives a discretionary power to the Maritime Board to negotiate a price with the owner as to the allowance, or credit, that he will receive in the trade-in.

It seems to me that is pretty good, and about the only fair way to do it, because the ships are of various classes and various conditions. While one ship may be worth more for a reserve fleet, another would not, and you would have to consider that. So I think it is a matter of discretion that has to be given to the Maritime Board. But, by the same token, when we give the discretion to the Maritime Board, the Maritime Board enters an agreement or contract with the private owner, then I think the private owner has to know that is a good contract and he cannot have somebody tipping it over in later months.

Mr. BUCHANAN. That is the point. That price should not be subject to later downward revision. That should be definitely understood.

Senator POTTER. Do you think the tanker owners will take advantage of this legislation, if they are assured that their Government contract is a valid contract?

Mr. BUCHANAN. I think you will get some ships built, Senator. As to how many, that is crystal-gazing. I just do not know. I think you will get some ships built.

Senator POTTER. I was interested in your statement, and possibly this was discussed with Mr. Drewry, that we should encourage American corporations to invest in foreign-flag shipping, rather than discourage it. That is a question that has always puzzled me.

For example, at the beginning of the Korean emergency, we had to immediately go out and get ships under the Panamanian flag, and other flags, while we were getting our ships out of the reserve fleet to transport our goods.

We have quite a high code, or at least we like to believe a high code of security as far as our merchant seamen on our ships are concerned, which under the Panamanian flag, for example, we would not have.

Mr. BUCHANAN. I am not so sure that I could agree with you on that statement, sir. Some of the Panamanian-flag tankers that we have had experience with are about the best that have ever been built, and they are manned by crews that are most efficient. We have no reason whatsoever to think that they could not be depended upon in an emergency.

Senator POTTER. You have no fear of security?

Mr. BUCHANAN. Nothing whatsoever. As a matter of fact, it is probably not nice for me to say this, being a redblooded American citizen, but the operation is considerably more efficient than our American-flag operation, I am sorry to say.

Senator POTTER. I know that the maritime unions have been quite concerned about this effort, or trend, on the part of American capital to be invested in foreign-flag shipping, utilizing foreign labor on the ships.

We do have to, in this country, maintain a nucleus of trained marine manpower. I am just wondering if we can maintain that and encourage, at the same time, American capital to invest in foreign-flag shipping.

Mr. BUCHANAN. I think it is a fairly simple thing, Senator. In an international business, such as our company is in, you have to carry your groceries to the market on a competitive basis. You cannot do it with an American-flag tanker.

Senator POTTER. In other words, it is your belief that by not doing it, we will be relying entirely on foreign tankers without any American control over them?

Mr. BUCHANAN. The point I made in my statement, and I think it is a rather important one, is if you accept the premise that I just stated, and I think it is factually correct, if you do not have this tonnage that is available to the United States under foreign-flag, it will not exist, because you will probably make long-term commitments with some of the leading maritime powers in Europe and cover your requirements in that respect, although the price you pay will be a little bit more than if you owned the ship. I feel that is just an economic fact.

Senator POTTER. Is there a trend in the tanker industry for more and more of the super tankers or medium-sized tankers?

Mr. BUCHANAN. The faster you can move it, and in the biggest quantities, the cheaper it can be done. But there comes a point where that is always practicable. In the long-haul business, carrying homogenous cargoes, the largest practicable size, 28,000 tons and upward, gives us the lowest unit cost.

There are certain trades, particularly in the carriage of refined oils, lubricating oils, kerosenes, and the like, gasolines, where due to storage conditions, market conditions, limitations of draft in the various harbors, the super tanker cannot be operated. So I do not think, looking down the road, we can envision here a time when every tanker in the world will be a super tanker, although I am a firm believer in technological developments and taking advantage of the sciences to achieve lower cost.

I feel that the handiest ship—by that we mean something on the order of 18,000 or 20,000 tons—will be with us for some time to come.

Senator POTTER. Mr. Buchanan, we have had testimony particularly as it related to the legislation as reported out this morning as to the necessity of this bill, that in case of a national emergency, we should have tankers in our reserve fleet. At the present time I believe we have none or very few.

Mr. DREWRY. None, I believe; is that not correct, Mr. Buchanan?

Mr. BUCHANAN. We have 26 privately owned laid up. I understood from Admiral Wilson's testimony there were none.

Mr. DREWRY. Maybe one or two in the T–1 class?

Mr. BUCHANAN. Maybe. It does not count very much.

Senator POTTER. Do you have any feeling as to the necessity of having a substantial or at least a nucleus number of tankers in the reserve fleet? Do you think that is desirable?

Mr. BUCHANAN. Sir, I am not in the military. I think we have to decide those questions and proceed on the basis of what the Joint Chiefs of Staff, in their wisdom, say we need for the security of our country.

If their considered judgment is that X number of tankers are needed in the reserve, then I suggest that they get that reserve the quickest and cheapest way possible, that is, to forthwith lay up what they are now running and try, by this proposed legislation, to get additional ships built.

Senator POTTER. Lay up the 60-odd ships that are in MSTS?

Mr. BUCHANAN. I would so suggest, sir.

Senator POTTER. In case of a national emergency, an all-out war, do you think we could take care of our immediate needs, as far as the transportation of liquid cargoes are concerned?

Mr. BUCHANAN. That is a question that I am afraid I could not answer because I have no idea of what they would be.

Our experience in the last war makes me give you that answer. I remember when the shooting stopped in Europe, we all took a deep breath and said, "Things will go easy for a while," and before we knew it, we had 900 tankers going through the Panama Canal to Japan. I cannot answer that.

Mr. DREWRY. Aside from the military question, are we not importing a great deal of our civilian petroleum needs at the present time?

Mr. BUCHANAN. Yes. This country is importing crude oil and residual items. I am not prepared to give you the exact amount.

Mr. DREWRY. It is substantial?

Mr. BUCHANAN. I would say it is substantial.

Mr. DREWRY. You mention that a great deal of the imported petroleum and petroleum products are coming in in foreign-flag tankers.

Mr. BUCHANAN. That is correct.

Mr. DREWRY. Would we not be faced with the same problem in that field, and an extremely vital one, in regard to our petroleum needs, as we have been on more than one occasion on dry-cargo trade, if there was an emergency abroad short of war which we were participating in which drew those foreign-flag tankers away from our trade and into areas where they just did not come here anymore? Would that not kind of leave us up a tree if we did not have an adequate fleet of American-flag ships?

Mr. BUCHANAN. It would be a question of degree. That is why I suggested the desirability of foreign-flag tankers owned by subsidiaries of American corporations, because I think in an emergency, they would be under effective United States control, where otherwise they would not be.

Mr. DREWRY. To be effective, would not there have to be an agreement with the nation, the country under whose flag the vessel was operating?

Mr. BUCHANAN. I am not so sure that that agreement does not now exist. That is something that would have to be looked into.

Mr. DREWRY. It would be preferable to have it that way, that we would have a bigger club to induce the ships to the American flag than the foreign flag would have to resist it?

Mr. BUCHANAN. I do not think, if you are talking about foreign-flag ships, that if they are flying the flags of Norway, Sweden, Great Britain, or France, the fact that anybody has any stock interest in any of those companies, that it would be anything but wishful think-

ing to think that there would be any hope of having them put under the American flag. I think it is very wishful thinking.

Mr. DREWRY. In case of a wholly owned subsidiary of an American company, it is subject to the laws of the country under which the vessel is registered?

Mr. BUCHANAN. That is correct.

Mr. DREWRY. That country would have a great deal to say about whether the ship would be allowed to go back?

Mr. BUCHANAN. The experience of the last war proves that vessels in certain flag categories were made immediately available to the military for war purposes, just the same as an American-flag ship was.

I believe, although I certainly cannot speak for American corporations with certain foreign subsidiaries, that same situation would obtain should we unfortunately have another all-out war. In fact, I am convinced it would.

Mr. DREWRY. Based on a continuing practice of friendship, rather than any official agreement of mutual defense, or anything like that?

Mr. BUCHANAN. I am not qualified to speak on the treaties that may be in existence between our Government and certain Western Hemisphere countries. I believe if you did a little research on that, it might indicate those vessels would be available.

Senator POTTER. I assume they have the same arrangements with tankers as with other vessels, a pooling arrangement in case of an emergency. I do not know how long it would take to get that into operation. Apparently, there is an agreement with, at least, the NATO countries, as to the pooling of ships.

However, our own military people feel quite concerned that we should rely upon our own ships, rather than the ships of our so-called allies.

Mr. Buchanan, I wish to thank you for coming here and discussing this subject with us today. If you have nothing further, we are in recess until Monday at 10 o'clock, at which time we will have Mr. Adolph Kurz.

Mr. BUCHANAN. It has been a pleasure to be here.

Senator POTTER. Before we recess, I want to offer for the record a letter from the National Bulk Carriers, Inc., dated July 14, 1953. It is addressed to the chairman of the committee.

(The letter referred to is as follows:)

MY DEAR SENATOR: At the present time, the Military Sea Transportation Service—MSTS—has in its service 62 Government-owned T–2-type and T–3–type tanker vessels under operating agreements with some four private operators. We are gravely concerned with this abnormal growth of the MSTS in the field of private endeavor as such encroachment and infringement in tanker operations, at the expense of independent American tanker owners, may well sound the death knell for the American tanker fleet.

As one of the largest and oldest independent tanker operators in this country, we strongly object to the continued operation of these Government-owned tankers in the service of the MSTS, because such operation lends great impetus to the idleness and eventual layup of private tankers with attendant financial losses to their owners.

This country was founded on and thrives on the right of individual initiative and private enterprise, and only when these fail should the Government intercede, and then only in matters of public interest. The MSTS, in setting itself up as the representative owner of active tankers, competes directly with private independent American tanker owners who are thus deprived of legitimate business which is sorely needed at this time for our tanker fleet to survive as an adjunct of the American merchant marine.

At the present time, there are a number of American tankers idle and laid up, due to an oversupply of tanker tonnage. The removal of the MSTS from the field of tanker operation by the simple remedy of placing these 62 tankers in the inactive reserve fleet would do much to alleviate the plight of the independent American tanker owners.

It is inconceivable that Congress, in granting to a military agency the means of acquiring and maintaining adequate vessel tonnage for national emergencies, would also permit that same agency to enter a specialized field of private enterprise in direct competition with private industry when no national crisis or emergency exists. We believe that the present operation of these reserve tankers by the MSTS is unwarranted. The requirements of the MSTS for the carriage of petroleum can well be met by American tanker owners, as evidenced by the voluntary tanker pool plan under Public Law 774, 81st Congress, established between the Maritime Administration and private industry, under which these same American tanker owners have consistently met the defense needs of this country, even in the critical stages of the Korean conflict, and without regard to the loss of revenue which could have been avoided had that tonnage then been employed in the open market. As the independent American tanker owners are now faced with a crisis in the form of overtonnage, and the eventual layup of their tankers, surely the MSTS, in remembering the assistance given it in this present conflict by the tanker industry, could lighten the burden of these distressed tanker owners by utilizing privately owned American tankers instead of Government reserve tankers for present defense requirements.

It is axiomatic that a strong merchant marine in peacetime is vitally necessary because in times of war it must be quickly transformed into our military supply line. A condoned policy at this time of permitting the military to compete with private shipping interests under conditions less than full mobilization is the surest and fastest means of not only weakening our merchant marine, but actually destroying its military potential.

The MSTS tankers are actually reserve vessels, to be utilized in wartime only. They should be placed and remain in mothball status until required. No compelling necessity has been manifested by the military for their utilization at this time, and the burden of maintaining these tankers in reserve should fall on the military. It is grossly inequitable to require a few private independent American owners to maintain their tankers in layup, while MSTS enjoys the fruits of commercial business through the use of its reserve tankers.

It is respectfully submitted that the removal of these Government-owned tankers from the service of the MSTS and their immediate placement in the inactive reserve fleet will do much to stabilize the commercial market at this time. If and when private industry is unable to meet both commercial and defense requirements, then and then only should the MSTS avail itself of these reserve tankers.

Very truly yours,

NATIONAL BULK CARRIERS, INC.,
Capt. J. K. GALLEHER, *Operating Manager.*

(Whereupon, at 11:15 a.m., the subcommittee recessed, to reconvene at 10 a. m., Monday, July 27, 1953.)

# MERCHANT MARINE STUDIES

**MONDAY, JULY 27, 1953**

UNITED STATES SENATE,
SPECIAL SUBCOMMITTEE ON
MARITIME SUBSIDIES OF THE
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
*Washington, D. C.*

The subcommittee met, pursuant to call, at 10:40 a. m., in room G–16, Capitol, Senator Charles E. Potter presiding.

Present: Senator Potter.

Also present: Mr. John M. Drewry, special counsel to the subcommittee.

Senator POTTER. The subcommittee will come to order. We have before us this morning Mr. Adolph Kurz, who is the son of Charles Kurz, one of the leading authorities for the independent tankers.

We are very pleased to have you with us this morning. We hope your father has a speedy recovery. If you care to present your statement at this time, we will be glad to hear it.

## STATEMENT OF ADOLPH KURZ, ON BEHALF OF CHARLES KURZ, PRESIDENT, CHAS. KURZ. & CO., INC.

Mr. KURZ. Thank you, Mr. Chairman.

Senator POTTER. It is really a statement on behalf of your father, who could not be here?

Mr. KURZ. That is correct. My name is Charles Kurz. My address is 1000 Walnut Street, Philadelphia, Pa. I have been engaged in the shipping business since 1901. I am president of Chas. Kurz & Co., Inc., and of Paco Tankers, Inc., and of Keystone Shipping Co., and am a vice president of Keystone Tankship Corp. These companies are independent owners and operators of American-flag tankers. We have owned and operated tankers since 1917; we have had tankers constructed for our own account; we have chartered them in and out; we have operated them for the Government and for other people, and, in general, we have had full experience in the owning, construction, financing, chartering, and operation of such vessels in both the domestic and the foreign trades.

Independent tanker owners depend for their existence upon carrying cargo for others, as distinguished from those tanker owners who carry their own products as an adjunct to the principal business of producing, refining, and marketing oil. There are 428 privately owned tankers—5,000 deadweight tons and over—under United States flag, of which 140 are owned by independents. The companies with which I am associated own 26 such tankers and have 2 additional tankers under construction.

Although the tonnage owned by independents is much less than that owned by major oil companies, it is important, and sometimes critical, in the tanker market. The major oil companies, as a matter of policy, usually own enough tankers to provide transportation for a major portion, or in some cases all, of their normal peacetime requirements. Obviously, it would be uneconomical for them to increase their fleets beyond this point. The tonnage owned by independents, therefore, must be available to take care of the requirements of independent refiners and marketers of oil, and to carry excess requirements of oil companies when the demand for transportation is high. Accordingly, it is a "feast or famine" business; when demand is high, the independent tankers are in demand and the rates normally rise; on the contrary, when the supply of tankers exceeds the demand, rates are low, often to the point where vessels cannot earn their operating costs, let alone depreciation. I want to make it clear that we operate in a free, competitive market.

At the present time, there is a surplus of tankers and employment and rates are very low, despite the Korean emergency, and the general underlying boom in business conditions. There are 103 tankers laid up in the world for lack of business, of which 26 are United States-flag tankers, and the market for voyage charters or consecutive voyage charters is below the actual cost of operation. This condition has existed for about a year, and is undoubtedly due to a surplus of available tanker tonnage. We are accustomed to up-and-down cycles in the tanker business, but we are beginning to believe that this is not merely an unfavorable cycle, but represents a depressed situation, the end of which cannot be foreseen. Normally, there is an increase in each year in the demand for petroleum products, and therefore, for transportation, and on that basis, the tanker fleet has expanded. This demand results from the growth of population, the increase in the use of oil, and the discovery of new uses for petroleum products. It appears now, however, that any such normal increase in the near future will be more than offset by the completion of new tankers now under construction; by a general decrease in industrial operations which many people believe will take place—particularly if the Korean situation should be settled—and by the increased use of pipelines.

I attach as exhibit I to this statement, an article from the Oil and Gas Journal written by Mr. John J. Winterbottom, coordinator of transportation activities for Standard Oil Co. of New Jersey, which discusses the problem of supply and demand for tankers. You will note that Mr. Winterbottom predicted in 1952 that there would be the following tanker surplus, worldwide:

| | |
|---|---|
| 1953, 139 T–2 equivalents | 1955, 293 T–2 equivalents |
| 1954, 253 T–2 equivalents | 1956, 321 T–2 equivalents |

The foregoing prediction, made in 1952, has come to pass. According to the latest information, there are 103 tankers laid up in the world, and we are unable to see any basis for optimism with respect to rates or employment.

United States-flag tankers are no longer able to compete with foreign-flag tankers in foreign trade, and independently owned United States-flag tankers will be forced to confine their operations to the coastwise and intercoastal trades, with occasional voyages to nearby foreign ports under special circumstances.

Attached to this statement, as exhibit II, is a statement compiled by us from quotations recently received with respect to the cost of construction of vessels in United States yards and in foreign yards. Taking the T–2 size tanker as an example—16,600 tons dead weight; 14½ knots—the basic cost of construction in an American yard would be about $5,300,000; and including escalation in labor and materials, interest, equipment, supervision and other charges, the final cost to the owner would be about $6 million. A similar ship could be built in foreign yards for about $3 million; and these yards will usually give a flat price without escalation.

Attached to this statement as exhibit III is a schedule comparing the cost of operating a United States flag T–2 tanker with the cost of operating a T–2 tanker under foreign flag. You will note that the average daily payroll—including overtime and fringe benefits—is $967.45 per day; whereas, a German crew—including overtime and fringe benefits—would be paid $163.28 per day, or a differential in favor of the foreign-flag vessel of over $800 per day. Substantially this same percentage of discrepancy exists in the cost of shoreside personnel and management; and to a lesser degree, it exists in repairs and other items of cost. According to our calculations, the cost of operating a United States flag T–2 tanker—not including depreciation or interest—is more than $1,100 per day greater than the cost of operating a similar vessel under foreign flag.

With the tremendous disadvantage outlined in the foregoing paragraphs, it can be understood why United States flag tankers cannot compete with foreign-flag tankers and will never be able to compete with them unless there should be some further and unexpected emergency which would increase the world demand for transportation and drive rates up to the point where United States operation could again be conducted at a profit. Tanker owners build ships for profitable operation in peacetime trades; not to speculate on possible emergencies. Under the conditions described above, it is obvious that independent owners cannot, without assistance, build vessels at this time for expansion. It is equally obvious that banks, insurance companies, and other institutional lenders will not finance the construction of tankers under these conditions.

Present prospects in the domestic trade are not much better than those in the foreign trade. The same overtonnaged conditions exist, and we cannot see any relief for at least 4 years in the future. In fact, there is nothing to indicate a time when demand for transportation will catch up with supply. We face competition by pipelines, and in particular, estimates of demand on the Pacific coast have been upset by the development of oil fields in Canada and the Northwest.

I am well aware of the fact that the present United States flag tanker tonnage—including those tankers owned by American interests under foreign flag—would be inadequate to supply the needs of the Armed Forces and the civilian economy in the event of another war; and experience indicates that our allies are never able to supply tanker tonnage to us under such circumstances; in fact, we have to help them. From the standpoint of independent operators, it is evident that the American tanker market cannot presently employ additional tonnage, and it follows that we cannot afford to build additional vessels at this time. However, we are interested in the reconstruction of exist-

ing vessels or the replacement of existing vessels with new and more efficient vessels.

We are concerned about the obsolescence problem created by the fact that most of the existing tankers were war built and constructed between 1942 and 1945. We are currently having to spend large sums of money for the renewal of bulkhead plates and other structural parts, and this cost will increase progressively as the vessels get older. The increasing cost of repairs to these vessels will put them at a competitive disadvantage with newer vessels. Accordingly, we are interested in an orderly replacement program.

The problem of replacement is of grave concern to us. A T–2 tanker for which we paid the Government about $2,850,000 in 1943 would now cost approximately $6 million to replace. Depreciation on the old vessel would be inadequate to pay for the new vessel. As a matter of fact, our tankers—and we assume the tankers of most independent owners—have to be financed by mortgage loans, comprising the major part of their cost, and depreciation must be paid to the lender to meet installments on the mortgages. The replacement problem, therefore, involves (1) high cost of construction; (2) lack of equity funds; (3) difficulty in obtaining loans from lending institutions.

Lending institutions are aware that the business is speculative and that there is a tanker surplus. They also know that under the present depreciation practice, we cannot recover our investment within a reasonable length of time; hence, they will not make a loan for the construction of a vessel to be operated on the general tanker market. They require the assignment of a charter party which will give us assured employment for the vessel over the entire period of the loan, and will provide enough funds to meet amortization and interest requirements. Such charter parties are difficult to obtain in normal times and are impossible to obtain at the present time.

Senator POTTER. What do you mean by "charter parties"?

Mr. KURZ. The contract between the carrier and the shipper.

Senator POTTER. In other words, you would have to have a long-term contract for the charter of a certain tanker in order to secure financing?

Mr. KURZ. That is correct. That is the basis on which most of the T–2's were purchased from the Government. For example, we entered into several charter parties with a major oil company, and took them to a reputable banking institution, and the contracts were assigned to those institutions as collateral for the loan.

Senator POTTER. Is that a common practice for your independent tanker companies, to enter into long-term charter contracts? It seems to me, as a business practice, it might be wise for the tanker company to get the long-term contract if they could, but it would not be wise for the supplier, whoever you entered into the contract with, the contract party.

Mr. KURZ. You mean, for example, the oil company?

Senator POTTER. Yes.

Mr. KURZ. I think there are two reasons they have done that. One is that the oil company would like to have its own capital free. They do not want to tie their capital up in ships. They prefer to have it in their refining or marketing facilities. Second, there are some independents that do not want to go into the shipping business at all.

I think I mentioned earlier that the major companies owned the ships for their normal requirements. So some of the smaller companies charter on a long-term basis for their normal requirements.

Senator POTTER. So their capital is not tied up in ships?

Mr. KURZ. That is right.

Senator POTTER. Are those contracts normally entered into for 20 years?

Mr. KURZ. Those contracts, I would say, run for 5 years, 10 years, and only recently to 20 years.

I understand that testimony with respect to specific legislative proposals will be received at subsequent hearings before this committee, and for that reason, I shall outline only in general terms my ideas concerning the legislation needed to assist in the solution of the problems of independent tanker owners. In this connection, I would like to say parenthetically that we would like to conduct our business without Government assistance, and the event which would best solve our problems would be a steady tanker market upon which we could operate and expand at a reasonable profit. Since such a market does not exist, and probably will not exist for an unforeseeable time in the future, it would appear that if the independent tanker fleet is to be maintained and expanded, Congress will have to give serious consideration to the following:

SUBSIDY

Under the provisions of the Merchant Marine Act, 1936, as amended, a tanker operating in foreign trade is eligible for a construction subsidy. However, such a subsidy would do us very little good, because after the ship was constructed, we would not be able to operate in competition with foreign-flag tankers without an operating subsidy. Furthermore, the tanker trade is quite different from the dry-cargo trade, and it is impossible to predict that a tanker can be kept steadily employed in the offshore trade unless it is owned by an oil company which has foreign holdings, or is under long-term charter to such a company. The independent owner would face the probability of having to continually switch the vessel from foreign to domestic trades, and thus not only lose much of the benefit of the subsidy, but upset the arrangements made for financing the vessel.

If it is in the public interest to encourage the construction and acquisition of modern tankers, it would not seem to me to make much difference whether they are for operation in the domestic trade or in the foreign trade. Accordingly, I advocate that the construction subsidy be expanded to include tankers for foreign and domestic trade, without distinction, and that Congress authorize an operating subsidy available to tankers in foreign trade. The construction subsidy, since its actual purpose is to maintain the standards of American labor, should be paid to the shipyard and the acquisition of the vessel should impose no restrictions on the vessel owner. The operating subsidy should be substantially similar to the operating subsidy now provided for cargo vessels under the Merchant Marine Act.

I am very reluctant to accept any form of subsidy, but it is quite clear that American-flag tankers cannot be operated in foreign trade without such assistance.

### CONVERSION OF FOREIGN CURRENCY

If we are to assume that something will be done to put independent tanker owners in a position to compete with foreign-flag tankers, we still face the problems arising from the fact that the charter hire under charters for foreign trade is usually payable in sterling or some other foreign currency. An American shipowner, without foreign-flag affiliations, is unable to bid on such business because he cannot make use of foreign currency—there is no ethical way to convert it into dollars. I realize that this is a difficult problem, but I recommend that some provision be made whereby the Government provide a medium for exchanging foreign currencies into dollars without loss to the vessel owner. It is a problem which will have to be solved if independent tanker owners are to operate in foreign trade.

### GOVERNMENT COMPETITION

I think the industry should be protected against encroachment by the Military Sea Transportation Service, or other Government agencies on the field of private transportation. At the present time, Military Sea Transportation Service operates a large number of Government-owned tankers in services which could be performed by privately owned vessels. The absorption by these vessels of available cargoes depresses the market at a time when privately owned vessels are laid up, or operating at a loss. I advocate that the Government-owned tankers be laid up in reserve.

Mr. DREWRY. How many American-flag tankers are laid up at the present time, privately owned?

Mr. KURZ. I think we mentioned that earlier; about 26 American-flag tankers.

Mr. DREWRY. How many tankers is MSTS operating that you feel should be laid up?

Mr. KURZ. I have heard various figures.

Mr. DREWRY. Around 60?

Mr. KURZ. It ranges from 57 to 67. I have heard figures in that range. I understand they are actually contemplating moves in that direction.

### DEPRECIATION

For many years, the Bureau of Internal Revenue has insisted that the depreciable life of a tanker should be measured by the length of its potential existence. As I have indicated before, our business is speculative and subject to many conditions which do not affect shoreside industries. No one will invest money in a vessel unless he can reasonably foresee the recovery of his investment; and lending institutions refuse to lend for the construction of vessels unless they are certain that the owner will be permitted to take enough depreciation to amortize the loan. The operation of a tanker is most profitable in the early years of its life, before corrosion of its bulkheads and decks requires extensive replacements, and before extensive machinery repairs are required, and before its general competitive efficiency decreases. As the ship gets older, the cost of repairs necessary to keep it in class increases tremendously, and it is, therefore, less competitive.

Senator POTTER. Is it not true that tankers are more active ships than dry-cargo ships? In other words, you do not spend as much time in a port, your turn-around time is much shorter?

Mr. KURZ. That is correct.

Senator POTTER. Actually, in a year's time, you could make twice as many trips, practically, as a dry-cargo ship, could you not? Maybe that is exaggerated to a certain extent.

Your life of a tanker, a lot of it, depends on how much it is used. If it is in constant use, your machinery is going to be used a lot more than a dry-cargo ship, is it not?

Mr. KURZ. Our machinery problem actually is not too much different than a dry-cargo ship. But our cargo-handling problem is a lot greater; in other words, the tanker trade is a loaded voyage and a ballast voyage. We have very few runs where the ship is loaded on both legs of the voyage.

Our experience, and I think the experience of the industry, has been that it is the frequency of change of cargoes, that is, from a crude oil or a fuel oil to gasoline, which necessitates cleaning of the cargo tanks, that causes much of the trouble. It is the frequency of that cleaning that has the greatest effect on the steel in the ship's bulkheads.

Mr. DREWRY. What is the method of cleaning, Mr. Kurz?

Mr. KURZ. The method of cleaning has made considerable progress in the last few years. That happens to be one of my specialties, the cleaning of the ships.

The old method of cleaning was to steam the tanks out with the steam connections into the cargo tanks, which were there for that purpose and fire protection.

After that was done, the men would go in with a hose, buckets, and shovels and muck up all the dirt and oil.

Around 1928, a Mr. Butterworth decided that was too laborious a job, and he invented what they call the "Butterworth machine." Butterworthing is the standard practice today.

It is a nozzle that is dropped into the tank. It rotates in both a vertical and horizontal plane, using salt water with a pressure of 150 pounds. You can heat the water up to any temperature you want, short of 212.

Mr. DREWRY. It is usually heated?

Mr. KURZ. It has usually been heated, but the trend is away from that, because we found that the hot salt water has done more to accelerate corrosion of the steel than anything else.

At the present time, there are a number of oil companies and a number of the independents, including ourselves, who are trying various methods of stopping this corrosion, and rotating our cargoes so that we do not have to clean as much, trying to get a little better use out of it.

We use a combination of magnesium anodes and a spray system, in other words, certain tanks have to carry ballast on this ballast leg. There is a certain degree of corrosion which is caused by just the salt water. The other tanks do not carry ballast. There is a certain corrosion that takes place in there just because of the salt air atmosphere.

The ballast tanks are fitted with magnesium anodes, in our particular program, just the same as your hot-water heater is fitted with a magnesium rod today. The nonballast tanks are sprayed down with

a water-soluble inhibitor. We hope the combination of that system will reduce corrosion.

Senator POTTER. You do not use Duz?

Mr. KERZ. We carry Duz, but we do not use it.

Mr. DREWRY. It would not be practical to use fresh water?

Mr. KURZ. Fresh water is not practical at all, because of its cost and the time to get it. We do take fresh water when we go to a port like Albany or Portland, Oreg., or go through the Panama Canal. Everyone, at that time, takes advantage of all the fresh water he can get there. The only way to use fresh water is to take possibly 200 or 300 tons and recycle that through the ship in the washing operation, because we are talking about, in one tanker, 5,000 barrels.

Senator POTTER. This is a little off the subject, but do you attach any significance to the tanker losses we have been having at sea in the last several months? I think there have been a couple of them in the Delaware River in the last couple of months. There were fires aboard the tankers.

Mr. KURZ. I can only say that I do not think anybody is immune to these troubles. It is very fundamental that we are dealing with a hazardous product and we are dealing with units of 16,000, 20,000, or 25,000 tons that are moving at 16 knots.

There are so many variables that enter into the thing which can cause trouble, such as the positioning of a buoy which might change overnight. We had a case which we found by sheer luck, where a locking pin in the steering mechanism found its way out just through the ship's vibration. That was found shortly before we were heading for a lighthouse. You can only keep checking on things like that.

I am happy to say that the Coast Guard publishes what they call a Merchant Marine Council Proceedings each month, which you have probably seen, in which they try to bring those things to the attention of the owners. We, in turn, try to bring our little items to the attention of the Coast Guard.

Senator POTTER. How does the normal, commercial tanker differ from a tanker for defense purposes, having national defense features?

Mr. KURZ. In 1938—that was our first move into new construction—the Chairman of the Maritime Commission, Mr. Kennedy, embarked on the program of building the 12 twin-screw tankers. We cooperated on that and took two of those. I think the Standard Oil Co. took the 12, and we took them from the Standard Oil Co.

Those ships were actually the same as a commercial ship, with one major exception, which the Maritime Commission paid for, namely, the increased speed.

I think at that time the average speed of a tanker was around 13 knots. The Commission wanted 17 or 18 knots in the interest of national defense. So they paid directly to the shipyard—I believe I am correct in that—the cost of the national defense features, which was the increased speed.

Mr. DREWRY. That was the *Cimarron* class?

Mr. KURZ. Yes. One other type of national defense feature in a later class ship that we built, which the Navy is now operating, was a higher midship house. The purpose of that was that they could house naval personnel in that midship house and still build the deck above the main deck as a cofferdam, so that the personnel would not be living right on top of gasoline or petroleum products.

Senator POTTER. Do they require, for military purposes, any additional fire protection or safety devices that you normally would not provide for in commercial use?

Mr. KURZ. In a defense ship?

Senator POTTER. Yes.

Mr. KURZ. Those are such small items that they would not amount to much. When the Navy would take over that ship as a defense ship, they would probably change all the fire-fighting gear to Navy standard, which, as I recall, they did when they took over all the T–2 ships. That was a small item. I imagine you could do the whole thing for $10,000 or $12,000. We would not have as many fire stations on a commercial ship as the Navy would, because we do not have the personnel to man them.

Senator POTTER. Do you think you have adequate fire protection for your ships?

Mr. KURZ. I think that we have adequate fire protection for our ships. We have tried to adopt all of the Navy ideas. Our new ships are being constructed in accordance with the latest convention that was just approved and went into effect in November. They are being constructed that way, although they are not required to be, because the keel was laid before that date.

Senator POTTER. I would assume that a tanker would be extremely vulnerable in case of war if a torpedo were to strike it. Does that normally mean the loss of the ship?

Mr. KURZ. No; there were many naval ships and many commercial ships which were torpedoed with 1, 2, or 3 torpedoes, which made port. The tanker, in her loaded condition, with all the compartments filled, is only standing on two points, the engine room, the after point of buoyancy, and the forward deep tanks and ballast tanks.

Senator POTTER. Is that portion in red?

Mr. KURZ. The red on the chart would indicate the cargo in the ship. If a torpedo hit in here, it would not make any difference. You would just get a hole in the side of the ship, and the oil would probably leak out, because it is lighter than the water, and the salt water would come in. You would have one replacing the other.

However, the ships that were hit in the machinery space, there you would have a total loss, because you lose this point of buoyancy. Likewise, it would happen if you lost this point of buoyancy here.

For that reason, the Navy and Maritime and Coast Guard, during the war, set up special ballast programs, so that when the ship was in light condition, if you were to hit this space, there were enough empty spots along here to hold her up.

Senator POTTER. Would a torpedo strike in the cargo compartments normally cause a fire or not?

Mr. KURZ. Not necessarily. These cargo compartments are completely submerged. It is just as if you were to drop a match in your full gasoline tank in your car. Nothing would happen. It would go out, because the mixture is too rich.

Senator POTTER. I will take your word for it. I will not try it.

Mr. KURZ. If you go up to the Navy fire-fighting school, you have to go through that. That is the difference between your torpedoing and bombing.

Senator POTTER. You mean, you can take a match and drop it in your gasoline tank?

Mr. KURZ. Nothing will happen. It will go out. But if you find the point where there is that lean mixture above the gasoline tank, where the vapors are rising, that will ignite and flash into the gasoline tank and you will have an explosion.

Depreciation on a 20-year straight-life basis is not realistic and will not encourage the building of vessels. Obviously, if an owner is willing to spend the money, it is physically possible to keep a tanker in existence indefinitely; but it is equally obvious that eventually, the vessel would become a museum piece rather than an economical operating unit. Long-term depreciation forces owners to keep vessels in operation for a long period of time by making replacement and financing difficult.

The present 5-year amortization made possible under certificates of necessity does not answer this problem, because such certificates will cover only emergency facilities constructed during the emergency, and because the independent owner simply cannot earn the amortization authorized by the certificate. We also need a general right to amortize some amount in addition to normal depreciation in those years when the vessel is able to earn it.

I recommend that a tanker owner be permitted to elect the period of depreciation which best fits his operation, but not less than 15 years; and that he should have the right to take, in any year or years, a limited amount of amortization—probably up to 5 percent of the original cost of the vessel—in addition to normal depreciation. This would make it possible to recover the investment during the productive years of the vessel; it would encourage replacement of the vessel at an earlier time because the cost would have been recovered; and finally, it would make it possible for an independent tanker owner to obtain financing for vessels. I regard this as an absolute essential to the industry, regardless of any other aids which may be granted.

### FEDERAL SHIP MORTGAGE INSURANCE

Private lending institutions, such as banks and insurance companies, have never been willing to lend any substantial amount on the security of the vessel alone. We have found from our experience that we cannot obtain a loan on a new vessel unless we can assign to the lender the benefits of a charter party which extends for the full length of the proposed mortgage, and which will produce enough revenue to meet interest and amortization. In other words, it is impossible for the independent owner to finance a vessel for operation on the market.

Under title XI of the Merchant Marine Act, 1936, as amended, the Government has the power to insure ship mortgages on vessels of acceptable type, but lenders refuse to utilize such insurance because its provisions are unsatisfactory. It is recommended that the provisions of title XI be enlarged to (1) apply to vessels in both domestic and foreign trade, and (2) cover the construction period, and (3) insure a greater percentage of the cost of the vessel, and (4) provide for the prompt payment to the lender in cash of the unpaid balance of the loan in the event of default by the mortgagor. I understand that a bill embodying substantially the foregoing features has been prepared at the instance of the Department of Commerce, and I believe that its passage would do a great deal to encourage financing by private lending institutions.

Senator POTTER. I might add that the bill that you make reference to provides that the Government will guarantee up to 90 percent of the loan. Do you think that is sufficient to encourage private investment? Do you think you can get private investment with 90 percent of the loan guaranteed?

Mr. KURZ. I think that is certainly a step in the right direction. I am not fully familiar with that phase of the business and would not be able to answer the question. I would be glad to get an answer on that for you.

Excessive replacement cost: As I have indicated before, we would like to provide for the obsolescence of our tankers, practically all of which were built during the war. Under present market conditions, we cannot justify replacing usable vessels because of the great cost of new vessels. For example, if we assume that the average book value of a T–2 tanker is $1 million, and that it would cost about $6 million to construct a new vessel of substantially the same size, the earnings under present and prospective market conditions would not justify the expenditure for the new vessel. Tankers are quasi-military in nature, and it is, therefore, in the public interest to maintain an adequate, modern and available fleet. An up-to-date tanker, in good condition, is of much greater value in war than an old vessel which is not efficient and which is required to spend excessive time in the shipyard for repairs.

About the only solution I can see to the problem of excessive replacement cost is the direct construction subsidy to the shipyards referred to before. In the case of vessels for the domestic trade, this would have to consist of the excess cost of construction over what is deemed to be the normal and uninflated cost of construction.

The Department of Commerce, after conferences with representatives of the industry, has advocated a policy of trading-in tankers under section 510, Merchant Marine Act, 1936, as amended, in return for an allowance against the cost of a new tanker to be constructed by the owner. Under this plan, the traded-in tankers would be maintained in a reserve and would be available for war use, but not for commercial use. To facilitate this program, they have advocated an amendment to section 510, Merchant Marine Act, under which the age of vessels eligible for trade-in would be reduced to 10 years. We believe there is present necessity for such a program, and that, if the other problems are taken care of, it may present an excellent means of modernizing, and at the same time, increasing the size of, the tanker fleet, without further overtonnaging the market.

We must point out, however, that even if the owner receives the full market value of the traded-in vessel, there will still remain the problem of providing the additional money necessary to pay for the inflated cost of the new vessel. From the standpoint of the owner, without other assistance, such as a construction subsidy, he would not be any better off than if he had sold his vessel at the market. The necessity for amortizing and paying interest on the balance of the cost of the new vessel would further increase the cost of transportation in this depressed market. I conclude that all of these problems have to be solved concurrently by a comprehensive program.

One of the great needs of the industry is to be assured that contracts made in good faith with the Government will not be criticized or reopened in later years. A shipowner, contracting for the use of a

vessel, or making arrangements for financing with the lender, or accepting a subsidy, must be able to know that his arrangements will be permanent. I advocate that each contract with the Government be subjected initially to the most rigid scrutiny, but that each contain a finality clause, so that when once approved and entered into, neither the Government nor the contracting party will be able to later upset, modify, or criticize it. I think this would remove much of the present reluctance on the part of responsible shipowners to enter into contracts with the Government.

It is difficult to cover the problems of an industry, and the possible solutions, in a presentation of this length, and necessarily, I have had to confine myself only to general outlines and highlights. Accordingly, I shall be very glad at any time to supplement this statement with any specific information which the committee may request.

Mr. Chairman, I would request that these exhibits be made a part of the record.

Senator POTTER. Without objection, they will be made a part of the record at this point.

(The exhibits referred to are as follows:)

EXHIBIT I

[From the Oil and Gas Journal, December 22, 1952]

TANKER TONNAGE KEEPS PACE WITH SOARING WORLD DEMAND FOR PETROLEUM PRODUCTS

TANKER EMPLOYMENT CONTINUES TO EXPAND DESPITE MAJOR PIPELINE CONSTRUCTION. TODAY'S WORLD FLEET COMPRISES 2,084 TANKERS, TOTALING 30,809,024 DEAD-WEIGHT TONS

By John J. Winterbottom

THE AUTHOR

John J. Winterbottom is coordinator of transportation activities for Standard Oil Co. (New Jersey), having assumed that position on January 1, 1952. He has been employed by Jersey Standard since 1916, and during that time has served as executive vice president of Esso Shipping Co. and assistant general manager of the Jersey Marine Department. In 1944 he served on loan to the War Shipping Administration in Washington as director of tankers.

The increase in worldwide demand for petroleum products since the close of World War II has fostered a similar growth in the world tanker fleet, not only in total tonnage afloat but also in size of tankers. Prior to World War II, as of September 1, 1939, the world fleet of tankers 6,000 dead-weight tons and over, including military and special service ships, totaled 1,288 vessels, aggregating 14,738,464 dead-weight tons.

After the war, as of January 1, 1947, this fleet had increased to 1,701 vessels of 22,955,015 dead-weight tons. Since then, construction of new tanker tonnage has continued at a rapid rate; as of October 1, 1952, there were 2,084 tankers totaling 30,809,024 dead-weight tons, equivalent to 1,710 T–2 type tankers. The T–2 tanker, of 16,600 dead-weight tons, 14.5-knot speed, was built in great numbers during World War II in United States shipyards.

UNDER CONSTRUCTION

Tankers under construction or on order in shipyards throughout the world as of October 1, 1952, amounted to 745 vessels, aggregating 15,616,230 dead-weight tons equivalent to 980 T–2's. Table 1 indicates distribution of the new construction by country of builders' yards and by contract delivery dates, as they are known. With the exception of a brief period during 1949 when a considerable amount of tanker tonnage was placed in tieup due to lack of business, and a number of old obsolete vessels were scrapped, the delivery of new tanker tonnage from shipyards has been absorbed in the world petroleum trade.

Of the total world fleet as of October 1, 1952, 8,368,506 dead-weight tons or 27 percent was registered under the United States flag, the largest single group by country of registry, with the remainder distributed under flags of 32 nations as listed in table 2. However, only 5 percent of the new construction on order as of that date is destined for United States registry.

### SERVICE RECORD

Excluding Government-owned vessels, tankers in special service (such as whaling, molasses carriage, etc.) and vessels out of service for repair for periods in excess of 30 days, the worldwide requirement for tankers in 1948 engaged the continuous use of the equivalent of 909 T–2-type tankers, increasing to 955 in 1949, 1,121 in 1950, and 1,249 in 1951.

In 1952, it is expected to average approximately 1,350 T–2 equivalents, an increase of 49 percent in 4 years. Table 3 details the area of employment of tonnage during the years 1948 through 1951 and the first half of 1952. It reveals that the increase in foreign-flag tonnage and in tankers engaged in service to foreign destinations is greatly in excess of the United States flag, United States destination tanker use.

The extensive expansion of tanker employment has occurred despite major pipe line construction which has had the effect of reducing the number of tankers required by shortening the distance between crude sources and refineries. For example, the 30–31-inch Trans-Arabian pipeline from the Persian Gulf to Sidon, Lebanon, now operates at 310,000 barrels per day throughout. This 1,068-mile-long line has shortened the tanker haul to destinations west of Suez by 3,000 miles and has reduced the worldwide tanker need by 75 T–2 equivalents. The new Iraq Petroleum Co. 30–32-inch line from Iraq oilfields to Banias, Syria, which is expected to reach a capacity of 371,000 barrels per day in 1954, will effect a saving of 90 T–2's compared with tankers hauling a similar crude volume from the Persian Gulf.

### TANKER TONNAGE

As in other phases of the petroleum industry, there is constant research to determine the future tanker-tonnage outlook. Adequacy of tankers in numbers, size, and type of ship design, and other factors which influence transportation economy and policy are subject to continuous review. In 1939, the average tanker in operation was of 11,600 dead-weight tons. The T–2-type tankers built during the war, which in part replaced many older vessels which were war casualties, were an important influence in larger ship design, and by mid-1946 the average world tanker had increased 2,000 dead-weight tons in size. The present world fleet averages 14,500 dead-weight tons and the 745 vessels presently under construction or on order average about 21,000 dead-weight tons.

TABLE 1.—*Tankers 6,000 dead-weight tons and over reported under construction or on order as of Oct. 1, 1952*

| Yards | Number | Dead-weight tons | T-2 equiva-lent | Estimated delivery dates—T-2 equivalent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Balance, 1952 | 1953 | 1954 | 1955 | 1956 | 1957 | 1958 | 1959 | Un-known |
| United States | 58 | 1,606,645 | 106.9 | 5.7 | 50.4 | 43.9 | 6.9 | | | | | |
| British | 284 | 5,691,235 | 154.7 | 40.1 | 83.8 | 69.8 | 50.7 | 31.8 | 16.0 | 4.6 | | 57.9 |
| Canadian | 5 | 103,400 | 6.4 | 1.9 | 4.5 | | | | | | | |
| Swedish | 117 | 2,334,500 | 145.5 | 17.2 | 34.4 | 34.5 | 24.4 | 21.7 | 2.1 | | | 11.2 |
| Norwegian | 41 | 740,000 | 46.0 | 1.0 | 6.6 | 5.9 | 9.6 | 8.8 | 7.7 | .4 | 2.0 | 4.0 |
| Danish | 20 | 342,400 | 21.3 | 1.9 | 2.1 | 4.1 | 2.3 | | | | | 10.9 |
| French | 26 | 658,950 | 41.0 | | 9.5 | 3.7 | 3.2 | | | | | 24.6 |
| Spanish | 9 | 142,300 | 8.9 | | | 4.6 | | | | | | 4.3 |
| Netherlands | 59 | 1,189,450 | 74.2 | 7.7 | 14.0 | 14.2 | 13.6 | 5.4 | | | | 17.3 |
| Italian | 16 | 343,000 | 21.4 | 1.1 | 13.2 | 3.2 | | | | | | 3.9 |
| Belgian | 13 | 240,150 | 14.9 | 2.1 | 6.1 | 4.5 | | | | | | 2.2 |
| Japanese | 30 | 737,700 | 46.0 | 3.6 | 28.7 | | | | | | | 13.7 |
| German | 67 | 1,486,500 | 92.6 | 8.7 | 23.8 | 21.3 | 8.4 | 2.0 | | | | 28.4 |
| Total | 745 | 15,616,230 | 979.8 | 91.0 | 277.1 | 209.7 | 121.1 | 69.7 | 25.8 | 5.0 | 2.0 | 178.4 |

*Actual tanker deliveries*

| | January–September 1952 | | | 1951 | | | 1950 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number | Dead-weight tons | T-2 equiv-alent | Number | Dead-weight tons | T-2 equiv-alent | Number | Dead-weight tons | T-2 equiv-alent |
| United States yards | 6 | 146,500 | 9.4 | 4 | 120,000 | 8.0 | 23 | 600,450 | 38.2 |
| Foreign yards | 87 | 1,616,911 | 97.1 | 128 | 2,116,715 | 123.1 | 103 | 1,561,216 | 88.6 |
| Total | 93 | 1,763,411 | 106.5 | 132 | 2,236,715 | 131.1 | 126 | 2,161,666 | 126.8 |

The trend toward larger units in new tanker construction during the postwar period is the inevitable result of the lower transportation costs which can be realized. This has resulted in the construction of a considerable number of tankers in the range of 26,000 dead-weight tons and there are numerous 30,000-dead-weight-ton vessels presently under construction with several in operation. Going beyond this, there are tankers up to 45,000 dead-weight tons under construction and it is foreseeable that even larger ships may be built in the near future.

Major considerations in the extensive operation of large ships are: (1) the limitations imposed at loading and discharging terminals by the depth of water and other physical restrictions; (2) the corresponding increases in capital investment for shore tankage and other terminal facilities. Although this problem is being met by improvements at many ports, there are undoubtedly many trades where the restricted volume of petroleum movements and permanent physical restrictions will require the continued use of moderate-sized tankers.

It is of primary interest to analyze the future tanker position from the standpoint of the adequacy of tanker tonnage. Many major oil companies own tanker fleets but still depend to a large extent on shortage and long-term charters as well as single-voyage charters to fill out their tonnage needs. To meet these demands, a large block of world tanker tonnage, owned by independent operators, is submitted for charter on the open market.

Tanker charter rates are influenced by the supply of and demand for tonnage, and fluctuate sharply when these factors are in imbalance. There are few commodities for which the price is as sensitive to supply and demand as tanker tonnage. Normally, the heavy demand for tankers in the United States east coast heating-oil trade has forced rates upward in the winter periods and conversely, rates have reacted from this position during the summer.

TABLE 2.—*Registry of tankers 6,000 deadweight tons and over as of Oct. 1, 1952*

| Country | Number of vessels | Deadweight tons | T-2 equivalent |
|---|---|---|---|
| Great Britain | 469 | 6,308,207 | 323.0 |
| Canada | 14 | 224,110 | 13.3 |
| Norway | 310 | 4,706,252 | 252.6 |
| Italy | 88 | 1,110,002 | 58.2 |
| France | 80 | 1,231,278 | 66.4 |
| Venezuela | 3 | 28,714 | 1.2 |
| Netherlands | 62 | 717,811 | 36.5 |
| Panama | 178 | 2,874,777 | 165.2 |
| Germany | 13 | 170,501 | 7.7 |
| Argentina | 32 | 412,219 | 22.6 |
| Mexico | 16 | 169,439 | 7.6 |
| Greece | 12 | 160,606 | 8.7 |
| Brazil | 12 | 177,877 | 10.2 |
| Spain | 19 | 177,485 | 8.7 |
| Russia | 19 | 188,769 | 8.4 |
| Denmark | 31 | 462,060 | 25.0 |
| Honduras | 11 | 220,613 | 13.3 |
| Portugal | 6 | 84,682 | 4.6 |
| Turkey | 2 | 30,268 | 1.6 |
| Belgium | 8 | 100,456 | 5.1 |
| Sweden | 59 | 881,969 | 49.9 |
| Finland | 7 | 78,520 | 3.4 |
| Yugoslavia | 2 | 21,710 | 1.0 |
| Uruguay | 2 | 33,224 | 2.1 |
| China | 5 | 59,700 | 2.5 |
| Poland | 2 | 21,369 | .9 |
| Switzerland | 2 | 22,360 | 1.0 |
| Morocco | 1 | 15,420 | .7 |
| Japan | 35 | 572,050 | 30.9 |
| Liberia | 57 | 1,157,983 | 70.7 |
| Pakistan | 1 | 9,760 | .4 |
| Costa Rica | 1 | 10,327 | .4 |
| United States | 525 | 8,368,506 | 505.7 |
| Total | 2,084 | 30,809,024 | 1,709.5 |

### FUTURE REQUIREMENTS

In estimating future requirements the period of peak requirements each year is considered more indicative of the tanker picture than average year requirements. Peak requirements, usually occurring at the end of each year, have ranged between 3 and 8 percent in excess of average requirements during the last 4 years. It is estimated that the year-end peak requirements for 1952 will approximate the equivalent of 1,453 T–2 type tankers. Estimated tonnage availability, including allowances for normal repairs, new construction, and obsolescence, amounts to 1,516 T–2 equivalents.

Table 4 outlines an estimate of the worldwide industry tanker tonnage situation as of the end of each year through 1956. Requirements are estimated to increase 25 percent from the 1952 peak to 1,815 T–2's by the end of 1956. Included is an allowance for the use of commercial tankers in United States Government service. These requirements assume operation of the tapline at 310,000 barrels per day, the I. P. C. line to Banias at 300,000 barrels per day in 1952, increasing to 340,000 in 1953 and 371,000 in 1954, and the I. P. C. lines to Tripoli at 162,000 barrels per day. The I. P. C. lines to Haifa are assumed to remain inoperative during the period.

The effect of Trans-Mountain pipeline, which is scheduled to begin operations during 1953, is included in the requirements. This line will bring crude from the Edmonton fields of Canada to British Columbia and will reverse the present flow of petroleum from California to Vancouver. A portion of the Middle East crude presently being transported to California will be replaced by Alberta crude through Trans-Mountain. For the purpose of estimating requirements it has been arbitrarily assumed that Abadan refinery operations will resume in 1954. However the difficulties imposed by the change in world-trade routes and supply sources occasioned by this shutdown have been largely overcome and the effect on tanker requirements would be relatively minor should this refinery remain closed.

TABLE 3.—*Industry tanker employment (expressed in equivalent T–2 type tankers)*

| | World wide | | | United States destination | | | Foreign destination | | |
|---|---|---|---|---|---|---|---|---|---|
| | Total | United States flag | Foreign flag | Total | Except Western Hemisphere | Except Eastern Hemisphere | Total | Except Western Hemisphere | Except Eastern Hemisphere |
| 1948 | 909 | 375 | 534 | 337 | 300 | 37 | 572 | 567 | 305 |
| 1949 | 955 | 352 | 603 | 341 | 290 | 51 | 614 | 229 | 385 |
| 1950 | 1,121 | 372 | 749 | 402 | 340 | 62 | 719 | 223 | 496 |
| 1951 | 1,249 | 385 | 864 | 375 | 333 | 42 | 874 | 319 | 555 |
| First half 1952 | 1,315 | 383 | 932 | 401 | 350 | 51 | 914 | 352 | 562 |

NOTE.—Excludes Government-owned tankers, vessels in special service (whaling, molasses carriage etc.) and vessels out of service for repairs for periods in excess of 30 days.

TABLE 4.—*Estimated tanker requirements and tonnage—worldwide industry—equivalent T–2 tankers*

| | 1952 | 1953 | 1954 | 1955 | 1956 |
|---|---|---|---|---|---|
| Available year-end tonnage, reflecting new construction and obsolescence [1] | 1,516 | 1,686 | 1,856 | 1,996 | 2,136 |
| Peak requirements | 1,453 | 1,547 | 1,603 | 1,703 | 1,815 |
| Surplus | 63 | 139 | 253 | 293 | 321 |

[1] Includes allowances for repairs, new construction and obsolescence.

TABLE 5.—*World's tanker tonnage—classified by ages (tankers 6,000 dead weight tons and over) as of Oct. 1, 1952*

| Year built | United States | | Foreign | | Total | |
|---|---|---|---|---|---|---|
| | Number | Dead-weight tons | Number | Dead-weight tons | Number | Dead-weight tons |
| 1952 | 3 | 62,328 | 92 | 1,752,508 | 95 | 1,814,836 |
| 1951 | 2 | 60,310 | 129 | 2,187,183 | 131 | 2,247,493 |
| 1950 | 4 | 110,505 | 123 | 2,105,547 | 127 | 2,216,052 |
| 1949 | 3 | 80,102 | 96 | 1,710,865 | 99 | 1,790,967 |
| 1948 | 1 | 18,151 | 48 | 686,477 | 49 | 704,628 |
| 1947 | 1 | 12,853 | 30 | 411,059 | 31 | 423,912 |
| 1946 | 7 | 115,520 | 48 | 562,337 | 55 | 677,857 |
| 1945 | 86 | 1,455,269 | 125 | 1,946,529 | 211 | 3,401,798 |
| 1944 | 131 | 2,173,670 | 136 | 2,091,351 | 267 | 4,265,021 |
| 1943 | 148 | 2,256,874 | 86 | 1,234,965 | 234 | 3,491,839 |
| 1942 | 45 | 722,167 | 43 | 585,459 | 88 | 1,307,626 |
| 1941 | 18 | 270,095 | 29 | 382,164 | 47 | 652,259 |
| 1940 | 11 | 174,779 | 14 | 212,223 | 25 | 387,002 |
| 1939 | 6 | 101,645 | 48 | 631,538 | 54 | 733,183 |
| 1938 | 8 | 112,602 | 33 | 427,505 | 41 | 540,107 |
| 1937 | 13 | 163,567 | 40 | 539,816 | 53 | 703,383 |
| 1936 | 6 | 83,660 | 31 | 377,994 | 37 | 461,654 |
| 1935 | 2 | 29,760 | 27 | 337,040 | 29 | 366,800 |
| 1934 | | | 9 | 95,507 | 9 | 95,507 |
| 1933 | | | 7 | 113,815 | 7 | 113,815 |
| 1932 | | | 17 | 190,695 | 17 | 190,695 |
| 1931 | 3 | 44,650 | 45 | 545,770 | 48 | 590,420 |
| 1930 | 5 | 65,676 | 44 | 564,405 | 49 | 630,081 |
| 1929 | | | 27 | 318,652 | 27 | 318,652 |
| 1928 | 5 | 70,046 | 35 | 400,704 | 40 | 470,750 |
| 1927 | 2 | 34,660 | 29 | 294,155 | 31 | 328,815 |
| 1926 | 1 | 14,875 | 9 | 92,621 | 10 | 107,496 |
| 1925 | | | 5 | 53,888 | 5 | 53,888 |
| 1924 | 1 | 10,457 | 6 | 57,697 | 7 | 68,154 |
| 1923 | | | 11 | 108,218 | 11 | 108,218 |
| 1922 | | | 16 | 168,882 | 16 | 168,882 |
| 1921 | 5 | 54,455 | 29 | 334,190 | 34 | 388,645 |
| 1920 | 3 | 29,830 | 25 | 246,903 | 28 | 276,733 |
| 1919 | 1 | 7,920 | 12 | 127,025 | 13 | 134,945 |
| 1918 | 1 | 8,500 | 12 | 116,602 | 13 | 125,102 |
| 1917 | 1 | 11,200 | 4 | 38,080 | 5 | 49,280 |
| 1916 | | | 9 | 82,659 | 9 | 82,659 |
| 1914 | | | 11 | 128,421 | 11 | 128,421 |
| 1913 | | | 10 | 99,906 | 10 | 99,906 |
| 1912 | 1 | 6,150 | 2 | 17,780 | 3 | 23,930 |
| 1910 | | | 1 | 8,075 | 1 | 8,075 |
| 1908 | | | 1 | 7,065 | 1 | 7,065 |
| 1905 | | | 1 | 12,749 | 1 | 12,749 |
| 1903 | | | 1 | 6,775 | 1 | 6,775 |
| 1902 | 1 | 6,230 | | | 1 | 6,230 |
| Prior to 1902 | | | 3 | 26,719 | 3 | 26,719 |
| Total | 525 | 8,368,506 | 1,559 | 22,440,518 | 2,084 | 30,809,024 |

Tonnage availability estimates presented here are based on the actual world-wide tanker fleet engaged in petroleum services as at the peak of 1951, including vessels out of service for normal repairs, plus new construction and an allowance for obsolescence. The allowances made for new construction and obsolescence are as follows:

| | *T-2 equivalents* |
|---|---|
| Tanker fleet as of end 1951 | 1,371 |
| Estimated 1952 new construction | 150 |
| Estimated 1952 obsolescence | (5) |
| End 1952 | 1,516 |
| Estimated 1953 new construction | 175 |
| Estimated 1953 obsolescence | (5) |
| End 1953 | 1,686 |
| Estimated 1954 new construction | 175 |
| Estimated 1954 obsolescence | (5) |
| End 1954 | 1,856 |
| Estimated 1955 new construction | 160 |
| Estimated 1955 obsolescence | (20) |
| End 1955 | 1,996 |
| Estimated 1956 new construction | 160 |
| Estimated 1956 obsolescence | (20) |
| End 1956 | 2,136 |

New construction estimates shown above are based on contract delivery dates from United States yards as of the early part of 1952 and assumed deliveries of 125 T–2's from foreign yards in 1952 and 1953 and 140 each year in the period 1954–56. If contract dates were used for deliveries from foreign yards, the projected new construction figures would be higher as indicated in table 1. However, if there is a certain amount of optimism in the contract dates, actual deliveries may be more in line with the above estimates.

Compared with estimated 1952 deliveries of 150 T–2 equivalents, 107 were delivered during the first 9 months of the year. Although the allowance for obsolescence appears conservative, the high level of tanker freight rates which has prevailed over the last several years has enabled owners to maintain older high-cost vessels in service. Undoubtedly, prior to a tanker surplus of the magnitude indicated in table 4, freight rates will decrease as tonnage comes into balance with demand and a number of the older high-cost ships will be withdrawn from service as they become uneconomical to operate at prevailing charter rates.

It is for this reason that the tanker surpluses shown in table 4, ranging from 63 T–2's in 1952 to 321 in 1956, cannot be considered as a forecast of the actual number of ships which will be surplus to needs. As indicated in table 5, there are presently 395 vessels (equivalent to 192 T–2's) in the tanker fleet 20 years or older, of which 214 vessels (equivalent to 93 T–2's) are 25 years or older. As tankers attain a balance with demand, it is expected that the major portion of ships which will be withdrawn from service for economic reasons will come from this group.

Looking beyond 1956, the present United States flag commercial fleet of 428 tankers (equivalent to 397 T–2's) includes 228 T–2 type tankers built during World War II. The total war-built tankers presently in the United States commercial tanker fleet is equivalent to 315 T–2's or 79 percent. Assuming an average life of 20 years, these tankers will become obsolete during the early 1960's. There are presently the equivalent of 107 T–2's under construction or on order in United States yards, of which only 53 are destined for registry under United States flag.

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EXHIBIT II

*New construction costs*

| Deadweight tons | Speed | Prices | |
|---|---|---|---|
| | | American | Foreign |
| 16,600 | 14½ | [1] $5,300,000 | $3,100,000 |
| 18,000 | 15¼ | [1] 5,600,000 | 3,300,000 |
| 25,000 | 17½ | [1] 6,600,000 | 3,800,000 |
| 29,300 | 17½ | [1] 6,675,000 | 4,000,000 |

[1] Basic contract price without escalation covering increases in prices of labor and materials, and subject to increase or decrease depending on changes required from builders' standard plans and specifications.

NOTE.—Foreign prices generally work out to about 60 percent of the American prices.

EXHIBIT III

*Comparison of actual out-of-pocket operating costs on a T–2 tanker under American flag as compared with a similar tanker under foreign flag—depreciation, interest, port charges and fuel oil omitted*

| | American flag | | Foreign flag [1] | |
|---|---|---|---|---|
| | Per day | Per year | Per day | Per year |
| Payroll | [2] $967.45 | [2] $353,119.25 | $163.28 | $59,586.25 |
| Subsistence | 79.95 | 29,181.75 | 64.35 | 23,487.75 |
| Deck, engine engine and steward stores | 94.75 | 34,583.75 | 94.75 | 34,583.75 |
| Other vessel expense | 12.75 | 4,653.75 | 12.75 | 4,653.75 |
| Repairs | 369.86 | 135,000.00 | 178.08 | 65,000.00 |
| Insurance, worldwide limits ($3,000,000 valuation): | | | | |
| Marine | 152.83 | 55,784.66 | 143.38 | 52,334.90 |
| War | 37.86 | 13,817.82 | 33.98 | 12,402.40 |
| P. and I. | 57.82 | 21,104.34 | 48.77 | 17,802.50 |
| Franchise deductions | 4.11 | 1,500.00 | 4.11 | 1,500.00 |
| Management and miscellaneous | 131.61 | 48,037.65 | 50.00 | 18,250.00 |
| Total daily costs | 1,908.99 | 696,782.97 | 793.45 | 289,601.30 |

[1] Based on information received as of May 1953 which is believed to be correct.
[2] Including overtime, vacations, service bonus, social security and unemployment taxes and contributions to pension and welfare fund. This includes increases granted officers and seamen some of which are presently effective.

*Difference in operating costs*

| | Daily | Per year |
|---|---|---|
| American flag | $1,908.99 | $696,782.97 |
| Foreign flag | 793.45 | 289,601.30 |
| Difference [1] | 1,115.54 | 407,181.67 |

[1] 141 percent more than foreign flag.

Senator POTTER. Thank you, Mr. Kurz. I can assure you that as we go into the more specific phases of our study, we will call upon you and your father again in order to get the benefit of your views on specific phases of the problem and possibly as to legislation which may be before us.

I wish to thank you kindly for coming and giving us your views. Will you extend our regards to your father?

The subcommittee will be in recess until Thursday at 10 o'clock, when Admiral Cochrane, former Chairman of the Maritime Commission, will be with us.

(Whereupon, at 11:30 a. m., the subcommittee recessed, to reconvene at 10 a. m., Thursday, July 30, 1953.)

# MERCHANT MARINE STUDIES

**THURSDAY, JULY 30, 1953**

UNITED STATES SENATE,
SPECIAL SUBCOMMITTEE ON MARITIME
SUBSIDIES OF THE COMMITTEE ON
INTERSTATE AND FOREIGN COMMERCE,
*Washington, D. C.*

The subcommittee met, pursuant to call, in room G–16, Capitol, at 10:16 a. m., Senator Charles E. Potter, presiding.

Present: Senator Potter.

Also present: Mr. John M. Drewry, special counsel to the subcommittee.

Senator POTTER. The subcommittee will come to order. We thought it entirely fitting and proper that as our last witness in this phase of our study as to the size and composition of a merchant marine, we have a man who is most qualified to testify, Admiral Cochrane, former Chairman of the Maritime Administration, who served on the President's Advisory Committee in 1947, and a man who is known throughout the country for his knowledge of the subject which we have had under consideration.

Admiral, we are delighted you could be with us. We hope our discussion this morning will be on an informal basis. We would be very happy to receive any recommendations or observations you would care to make.

I think it might be well, Admiral, just for the record, for you to give us a little bit of your background as it relates to the merchant marine.

## STATEMENT OF ADM. EDWARD L. COCHRANE, DEAN OF ENGINEERING, MASSACHUSETTS INSTITUTE OF TECHNOLOGY

Admiral COCHRANE. I shall be very glad to, Senator. My name is Edward L. Cochrane. I am a native of California, but I escaped the virus of the west coast bug. I have spent most of my life in other parts of the country.

I went to the Naval Academy in 1910; went to sea immediately following that in connection with the unpleasantness that we had in Mexico in 1914. I requested and was granted transfer to the Construction Corps, which was the shipbuilding branch of the Navy, and was transferred first to the graduate school of the Naval Academy, and then MIT in 1916 to take the course in naval construction.

World War I broke out and the school was disbanded; the students were sent to the various navy yards and shipyards to give a hand in the material end of World War I.

I served various duties, and wound up in the Navy Department in 1924, looking out for submarine design. In 1928 I was detailed as a technical adviser to the State Department delegation that was going to London the following year to participate in the International Conference on Safety of Life at Sea.

Following that, I was transferred to the Portsmouth Navy Yard, and served 4 years there in charge of submarine construction for the Navy; then to sea, then back to Washington, where I served in the Design Division almost continually from 1935 until 1942, when I was appointed Chief of the Bureau of Ships by Col. Frank Knox.

At the end of my term there, I was made the Chief of the Office of Naval Materiel, and wound up my naval career serving on the President's Advisory Committee on the merchant marine in 1947, at the completion of which I retired and went to M. I. T. to assume a chair as professor of naval construction and head of the department of naval architecture, hoping that I had finished my active duties and could spend the rest of my life in the cloistered halls of that great university.

With the outbreak of the Korean difficulty in 1950, however, I was importuned and urged to come back to Washington as a member of the Federal Maritime Board, and was appointed its Chairman, and by that, ex officio, the Maritime Administrator, which I served until the end of September 1952, when I returned to M. I. T., where I am presently the dean of engineering.

I want to add, Mr. Chairman, that following my retirement from the Navy, as a matter of fact, following my resignation from the Federal Maritime Board, I have been asked to serve on the board of directors of the Raytheon Manufacturing Co., which is interested in the development and manufacture of electronic equipment, on the board of directors of the Newport News Shipbuilding & Drydock Co., on the board of directors of Babcock & Wilcox Boiler Co., and fairly recently, on the Moore-McCormack Steamship Line. So you can see that my life has been continually involved in ships and shipping, and that as of the moment I might be considered a highly prejudiced witness.

Senator POTTER. You are a sort of elder stateman of the shipbuilding industry.

Admiral COCHRANE. Certainly elder, if not the statesman.

Senator POTTER. I would emphasize the "statesman."

Admiral COCHRANE. I have come this morning on the committee's invitation. I am sorry to say it has not been possible for me to prepare a formal statement. I am not sure I could have done much in that regard in any case, because we have come down to those elements of the consideration of the committee which are the most difficult part, and that is, what should be done, what can be done, wisely, to improve the present law to assure the objectives, which I believe everybody in this country who has knowledge, or who stops to think, recognizes, and that is, the importance to a great international responsibility such as this country now holds of having under its own flag an able merchant marine.

The question of just what should be the size of that merchant marine is one of judgment, because there are no criteria that we have been able to devise so far which give a valid numerical value to this

thing. It is the same question as to what should be the size of the Air Force, what should be the size of the Army, of the Navy, or Marine Corps. They are all relative questions which have to be determined by the capacity——

Senator POTTER. It is like buying insurance. If nothing happens, you have too much; if something happens, you never have enough?

Admiral COCHRANE. That is exactly the case, Senator. One, I suppose, when he goes to the airport today, goes by the trip-insurance place and questions whether he should or should not. When he sees the odds that the insurance people give for flying on a trip, they look very tempting, and yet we recognize, fortunately, that the hazards are far less than those odds.

But the problems with which this country has been confronted, and which we have had to surmount in the last 25 years—as a matter of fact, the history goes back further than that. At the time of the Spanish War, we went abroad and frantically bought ships there to supply the meager little fleet that had to carry the campaign to Cuban waters, or to the Philippines.

Again, we had to charter foreign-flag ships to support the battle fleet that made the cruise around the world in 1907. We had to build frantically and acquire by charter or by purchase, or whatever way it could be gotten, ships that were necessary to support our own forces in 1917, although the war had been going on for nearly 3 years before we got into it.

The same thing was true in 1941. The war abroad had been going on for 2 years—fortunately, we had started before that—and under the wise provisions of the 1936 act, had gotten shipbuilding started, merchant-ship types, and in the Lend Lease Act we had started building the Liberty ship type, so that we were quite ready to go when the press came.

We were fortunate to have had stalwart allies holding the front for us abroad at that time. Fortunately, again, when the Korean difficulty broke out in June of 1950 we had a fair merchant marine actually at sea and were able to charter ships at once from the various berth lines and from the tramp operators that could be put into service shipping supplies to the support of Korea.

I came to Washington on the 7th of August 1950. By that time, one hundred and thirty-odd ships had been removed from the back channel. Incidentally, those were all the fast ships. No one wanted any of the Liberty ships so long as there were Victories to be obtained. There were only about 100 left. They were put into service and, before I had been here very long, I was confronted with the fact that we had no reserve of fast ships whatever. In the summer of 1950, before I came back here, and in connection with my duties at MIT, I had been asked to serve with a group of scientists who were working on a contract from the Office of Naval Research of the Navy Department to review the security of seas shipping. That was a term which was finally devised for it, to see what had been the impact of the scientific development which had occurred in the last few months of the war or had become known in the last few months of the war, and had developed in the intervening 5 years.

Senator POTTER. When you speak of the security of sea shipping, you do not mean internal security, do you?

Admiral COCHRANE. Against military operations, Mr. Chairman, that is correct; in other words, what had been the effect of the scientific weapons.

Of course, by that time, everyone knew the atomic bomb had become a fact. It had been discharged, been tested, we had run some tests ourselves at Bikini, and it was quite well known that the Russians, by that time, had begun to manufacture, with just what success we are not too clear yet, some. We knew for ourselves the supplies had become far more adequate.

We knew that the torpedoes which had been evolved toward the end of the war were far more effective than the torpedoes used by the submarines in the early part of the war.

Senator POTTER. I know during World War II that if you had a fast ship you had little to worry about, apparently, from a submarine attack. I assume that has changed by the development of torpedoes and submarines. Can you comment on that?

Admiral COCHRANE. I think quite clearly, Senator. As a matter of fact, I, myself, went abroad in the fall of 1940 in a Canadian trooper sailing out of Montreal. It was not a very fast ship, either. When we had gotten about halfway down—we were naval officers on an expedition—we inquired of the British when we would get our destroyer escort.

They said, "Well, the rules are that ships making better than 16 knots do not get an escort, and this ship makes 16¼."

Senator POTTER. You just hoped they were going at full speed all the time?

Admiral COCHRANE. That is correct.

Senator POTTER. I went over on the *Aquitania* out of Halifax. That was a fast ship, apparently. There was no escort.

Admiral COCHRANE. Of course, Senator, it is true that since that 16-knot limit was established, the speed of submarines has increased. We are about to launch a new ship here in this country which has atomic power which will be able to maintain submerged speeds for a longer period. All submarines depend on some form of expendable batteries. They all have to be recharged in one way or another. Their submerged voyage is measured in hours and not in days, and her capacity to continue at that speed diminishes rapidly.

So that if you can provide ships that have higher speeds—and surely more than 16 knots now is required—you can have ships that can be turned loose, going back to the question of risk, with reasonable assurance of getting through.

Senator POTTER. What about the stories you hear of torpedoes that actually search out the target?

Admiral COCHRANE. Those exist, Senator, but as a matter of fact, most of them are, by the very nature of the mechanism with which they are given a target-seeking characteristic, limited in their speed. So, if the ship has a high sustained speed, herself, her chances of evading or escaping are very materially enhanced.

Senator POTTER. Speed is one of the best defensive weapons that a ship has?

Admiral COCHRANE. There is not any question about that, Senator.

This group of whom I spoke a moment ago, and they were the ablest scientists that had been working in this country in connection with the Office of Scientific Research and Development during the war,

men who had worked on the atomic bomb, men who had worked on rocket development, proximity fuses, and so on, reviewed all of these things, and their conclusion was very strongly as to the importance of increasing the speed.

Senator POTTER. What was the minimum speed they felt was necessary?

Admiral COCHRANE. Well, the conclusion that they came to was that 20 knots is, as of today, a safe speed, and almost a minimum speed we should go to.

So that with my own personal experience, I felt, and then, as I say, with this obvious discovery when I got back here that the demand had been entirely for a fast ship, we were aware of the difficulty that might break in Korea, and we had no fast ships to rely on from then on except the ships in service.

It was on that basis that I felt strongly it was important to initiate promptly a building program of fast, dry-cargo ships. There have been discussions recently that those ships were built primarily for commercial service.

Senator POTTER. You are speaking of the Mariners?

Admiral COCHRANE. Yes, sir. Naturally, anyone who has a responsible position here in a service, an agency primarily associated with merchant vessels, is very much concerned as to their adaptability, because that is the way they are immediately available.

So we did go over quite carefully the comments that were received from the industry on an earlier design of this ship. Of course, in the merchant service, each particular trade has its own special requirements; so it was not possible to incorporate all the recommendations of the possible owners into the design of one ship.

As a matter of fact, I personally reviewed these things, and I finally came to the conclusion that you could almost do anything you wanted to do and have one of the shipowners agree with the decision; in other words, their recommendations covered a very wide field.

Senator POTTER. Would you say they were cohesive in that respect?

Admiral COCHRANE. They are cohesive in one important respect, Mr. Chairman, and that is they believe the United States should have ships, and that they should agree on just what the ships should be, would be, of course, very surprising.

As I say, their individual needs vary. Some ships have served in the Pacific, where they pick up substantial cargoes of latex rubber or edible oils, and they want a certain sort of tank. They want a tank that can be readily cleaned with complete assurance.

People who are handling fuel on the outbound trip, as some of them do, are not so particular about that. Some want to pick up bulk cargoes, with ore to bring in. Many of our ships are bringing in magnesium, titanium, and chromium ore. Their problem is a little different.

Those who have to handle heavy shipments, locomotives, railcars, want big hatches and heavy booms. Others want to take out ore and bring back some refrigerated cargo. There are a wide number of variations.

Senator POTTER. We have had testimony here that the Mariners are not too adaptable for commercial use. Is it your view that the

speed of the Mariner is the biggest deterrent for the commercial use of the vessels or not?

Admiral COCHRANE. Senator, I am quite clear. It is not the big deterrent. I think the big deterrent is the thing that bothers anyone that is engaged in commercial activity—capital investment, the cost.

Then, of course, the carrying of charges in any concern is a very substantial item of the continuing expense. I think one has to think only a moment of the progress which has been made in the United States in practically all of its efforts to see that success has followed the mechanization of the effort, where the cost of direct labor has been able to be diminished in proportion to the value of the product.

That is the way we justify high wages, because productivity of labor is high. The same thing is true in the shipping business. If, by expenditure of capital funds for providing machinery which moves abroad—and after all, the product of shipping is freight service—if by that means we have speeded up the productivity of the crew or the men of the shoreside establishment, then we apply the same principle to shipping as to the manufacture of automobiles.

I am sure in the long run that will prove to be the paying result, because it is clearly being shown today in the bulk cargo services. Several of the steel companies are building ships which are bringing in ore from overseas; as a matter of fact, one of them has been importing ore from South America for a number of years with large, fast ships which move the cargo efficiently and economically.

The same thing has happened in the tanker trade. Of course, it is much more productive there, because those ships are almost continually at sea. It is possible to load a tanker of 25,000 tons in 14 or 15 hours, and to discharge her faster than you can go through the ship's business of signing on a crew and signing them off, taking a period of 24 hours. So those ships are continually at sea, where the benefit from the high power, the investment, is very real.

The oil companies are, today, building entirely on their own account some ships, with the benefit of, I think, perhaps some accelerated depreciation. I was at sea on Tuesday on the trials of one brandnew tanker that is flying the American flag. She was designed for 18 knots, and actually, on her trials, did substantially better than 19 knots.

A sister ship of that vessel, which is already in service, is being operated, I understand, on a turnaround which averages about 19 knots. The company is very pleased with her.

Senator POTTER. Is that Sun Oil?

Admiral COCHRANE. No; this happens to be Texas Oil. They are very happy with the ship. She is beautiful. It is a great advantage, economically, to the owners, and is a tremendously advantageous national asset to this country for support of whatever the Navy might want to do.

Senator POTTER. Do you think eventually the Mariners will be put into commercial use?

Admiral COCHRANE. Mr. Chairman, three of the more progressive companies—I do not say that in any objectionable comparative means; I do not want to do that—have applied. One of them is just in the throes of being ready to sign; in fact, I think they have made a firm commitment to take three of these ships.

They want to charter some to get them in service quickly, and then replace them with ships that will be converted during construction to their special needs for service in the Pacific.

Senator POTTER. You think that is sound?

Admiral COCHRANE. I think it is completely sound. In fact, I am convinced of it, on the same basis that I have spoken.

As the base costs, those which continue from day to day, the overhead of the shoreside establishment, wages of the crew, and so on, as those figures rise, then the importance of adding a little more to capital investment and to fuel costs to get rapid turnaround, because a ship earns her freight not on the number of days at seas but in the movement of cargo from the port of embarkation to the port of discharge, will pay.

There is another factor which should not be lost sight of in this matter. Those ships which can deliver their freight early can command premium cargoes, if any there may be. In other words, a shipper who has cargo of high value is anxious to get it delivered quickly, because, of course, it saves his investment toward the time that this cargo is en route.

Senator POTTER. The difference between parcel post and freight?

Admiral COCHRANE. Exactly, and the comparison between air parcel post and straight parcel post, if you have a cargo of value and will pay a higher charge to have it delivered. That applies to the shipping business, as well as other things.

I am convinced, in the Pacific trade, where there are some such cargoes, these ships will draw this cargo to themselves just as a magnet draws steel to itself.

Senator POTTER. I understand the Moore-McCormack Line is thinking of taking a couple of the Mariners that are now under construction and putting in the features which they are desirous of having. Have you heard of that?

Admiral COCHRANE. Yes, Senator; serving on that board, I have heard a good deal about it. I speak, of course, with due modesty in that regard. That company, of course, has operated over the years the so-called good-neighbor fleet, which was a very wise arrangement which provided American-flag shipping to maintain a friendly relationship between the continent of North America and the continent of South America.

You will remember there was a time that you could go to South America in 1 or 2 ways, in some dubious ships that were run in foreign-flag service directly from New York there. It was not South American service. They were ships that practically never went to their own ports. We had a rather lamentable accident with one of them, the *Vestris*, which was lost not long before this international safety conference back in 1929. If you did not do that, you could go to Liverpool or Southampton and ship back again, which was a sort of difficult thing.

The decision to put these ships in that service, I think, was a wise one. They have maintained the service. Those ships are over 20 years old. They are being operated today under their American ownership; they were taken over during the war.

Of course, the company pays full expenses, and the costs of maintaining them are rising rapidly. Since they were started, the Argen-

tinians have put into the service brand new British-built ships which are quite impressive and are attracting trade.

The Moore-McCormack Line is anxious, I am quite sure, with full sincerity, to maintain a passenger service to South America, because they believe it supports not only national policy but supports their own commercial freight service.

I think there is not the slightest question in the mind of anyone that the people get a thrill out of seeing the Stars and Stripes of the United States in the ports of the world. We have world responsibilities. I think it is only fair to show them. Flag showing is an old principle. The British have done it over the years. But in the main, they have supported the red ensign of the merchant service with the white ensign of the Royal Navy.

Senator POTTER. I can substantiate that. I was in South America last fall. It is a source of pride to see in the various ports an American office with American ships at the dockside. And people you converse with planning on coming to the States on one of our ships. In one case it was the Moore-McCormack Line.

Admiral COCHRANE. I, personally, am fully convinced—and this is entirely aside from my connection with that company—that the maintenance of that service is of great importance. They had hoped to build two new ships of a larger size and greater speed to replace these "good neighbor" ships.

But there has been a lot, as you know, of difficulty over the contracts for the three big passenger liners that were completed last year. Naturally, until the means of arriving at firm solutions to those have been evolved, any company is reluctant to embark on such a venture. On the other hand, they do want to get ahead.

That scheme of converting two of the Mariners seems to be the only possibility of getting new ships into the running promptly, which is important.

Senator POTTER. We have had a certain amount of discussion before the committee that when the Government enters into a ship-construction program, it might be desirable to have a committee of industry to work with to approve the plans in order to make sure that the ships have as great a commercial value as possible in keeping with whatever military features which might be necessary.

I would like to have your comments on that suggestion.

Admiral COCHRANE. Well, while a formal committee did not sit in connection with the Mariner class, as I mentioned a few minutes ago, those designs were reviewed by all of the outstanding operators.

The benefit of their suggestions and comments, which in the main were rather minute, were worked into it as best it could be done.

But at that time, in the summer or fall of 1950, it was my opinion that there was not time to attempt to fit these ships to the individual trades, and it is quite clear that if we had done that, the program could not have gone ahead as rapidly, nor could it have gone ahead as economically as it did.

I did not point out that in laying out that program, completely aware of the possibility of the outbreak of world war III, and goodness knows all of us thought it had come when the Chinese crossed the Yalu in late November of 1950, we deliberately devised this program so that not more than 5 ships were built in any 1 of the

shipyards. So that we finally wound up with seven yards each building this fairly standardized type.

We reviewed very carefully with the principal boiler and engine builders of the country what were the highest steam conditions. By that I mean the pressure and the total temperature of the steam, which determined in some measure the economy, because in large measure all the return diminishes as you get higher and higher, how high we could carry the steam pressure without getting ourselves involved in a demand for an excessive amount of the rare alloy materials which are, of course, critical in the manufacture of aircraft jet engines.

We determined on the conditions which had been used by the Navy during the war, except that the temperature was raised a little, 600 pounds of steam and 850° Fahrenheit. That gives a fine steam plant. These ships are steaming with great efficiency. As a matter of fact, I understand that the fuel consumption on those ships at 20 knots is about the same as it is on a Liberty at about half that speed, the amount of oil per knot of steam. You can see the gain, the improvement, that has been made.

Senator POTTER. Admiral, you were one of the motivating forces on the President's Advisory Committee in 1947, at which time, as a committee or commission, you undertook to review, the same as we are doing now, the needs of a merchant marine.

I would like to receive your observations as to our merchant-marine needs today, as compared with 1947, and if the course of world events or technological developments have changed the needs of our merchant marine today, as compared to 1947?

Admiral COCHRANE. Senator, I think the situation has changed somewhat. Could I complete just the last part of my statement?

Senator POTTER. Yes.

Admiral COCHRANE. There is one thing I wanted to bring out in connection with the Mariner program, the planning that went into it to make it a mobilization program, of having, as I say, the ships built in 7 different shipyards, of having the boilers built in 3 different manufacturers' plants, and having the engines built in 4 different yards. So if we had to expand rapidly, all people would be prepared to contribute, and all would be fully familiar and would have designs which could be used.

Everything was in multiple sources of supply except one, which was the hatch covers. That had only one, and that, as fate would have it, got us into trouble which we have not gotten out of yet.

To go back to your next question about the situation as it is today, 1953 as compared with 1947, one of the things that has happened which is of considerable importance, I think, as regards, perhaps, passenger vessels, is the North Atlantic Treaty Organization agreements on pooling shipping.

I mention that only because it is a reed on which to lean. I think it is a pretty sturdy reed, but still not the most solid foundation which one could desire, in that the signatory nations have agreed that should the treaty, itself, be put into effect, which means an aggressive attack on any one of the members in the North Atlantic area, the shipping would be pooled. That means we would get them available on call, but not have exclusive use of the ships of other nations.

That will materially help the situation as regards passenger-carrying vessels, but it is only a drop in the bucket as regards dry-cargo vessels or tankers.

To go back, then, to this question of the security of the transport of invaluable cargoes—a shipload of tanks is an invaluable cargo—then you have to have speed. Today, while the speed of foreign cargo ships has been rising, it has only come up to where we were in 1936 to 1937, where it was 16 or 16½ knots. We think it should go higher than that.

If we have invaluable cargo—and the first few days will be very critical today—then the ships of the Mariner type, in my opinion, are just essential.

Senator POTTER. When Admiral Wilson appeared before the committee, he was questioned along these lines about the pooling of the ships of the Atlantic Pact nations. It was his view—I believe I am correct—that while that is desirable to have that arrangement, it would be folly on our part to plan on having those ships available in case of an emergency, citing the fact that in the case of an emergency, the countries, themselves, will have a demand for the ships and that actually we will be in the same position as we were during World War II. We received some utilization of their ships, but at the same time we had to enter into a costly and hurriedly operated ship-construction program in order to build ships to take care of our allies.

He said—I believe I am correct in stating this—that from a national defense point of view, while it is desirable that this pooling arrangement has been made, we should not consider them as an addition or we should not plan on them as part of our defense program.

Admiral COCHRANE. That is the reason I refer to it as a "reed" rather than a solid, firm foundation on which to lean. It cannot be ignored.

As I say, I do not think it is a complete answer. I think if we were to rely solely on it, we would be extremely derelict in our responsibilities.

Senator POTTER. You have some people in this country who are, as a matter of fact, quite active and vocal, who claim we should, "Well, here we have our Atlantic Pact nations where we have a pooling of our other defense resources, and we should consider their shipping in the overall defense of our country the same as we do our planes and manpower."

I have heard them say, "Why don't we let England, France, and Italy build up their merchant marine and rely on their merchant marine, rather than continue to support ours?"

My own personal opinion is that it would be folly of the first order. I wonder if you would agree with that statement?

Admiral COCHRANE. Senator, I am just as clear as crystal about it. I think one has to stop for a moment to consider a merchant marine is not simply the ships, themselves. It is not simply the ships and the seafaring personnel who man them. It includes shoreside management establishments, people who are competent to deal with all the intricate things that come into the operation of shipping. It involves shipyards that are necessary to repair these ships and keep them in operation. It requires shipyards that are capable of building them to renew the things from time to time, because they do suffer obsolescence. So that you have to consider all these elements as elements of the merchant marine.

Many people are quite prone to believe that because we have these reserve fleets of old red-leaded ships, we are quite adequately taken care of.

In 1950, we could still gather up enough men to man the ships, men who were experienced in World War II. It is a very striking thing, Senator, to see the skill with which those men renewed their old acquaintanceship with the ships, the joy with which they joined, and the competence with which they handled them.

Senator POTTER. There was no delay?

Admiral COCHRANE. Not that I have been able to find. I have made the statement many times in relation to MSTS: In no case was a ton of MSTS cargo held on the pier awaiting the arrival of a ship that they had used from Commerce; in no case was a ship that was put back into service unable to complete her first assigned mission. Some of them took longer than others to get there.

We had one that got caught in a collision. We had to discharge her cargo and repair her and embark the cargo again. But she delivered her cargo. It is a very proud record.

That was possible only because we had shipping management available. We had 48 or 50 companies to which the ships were assigned to husband. We had the seafaring men who could be put back into them.

Some of these ships, Senator, were pulled out of the back channel, put into the repair yards, the refitting almost completed before the crew even knew they were going to the ship. They would come aboard, sign on, and the ship would sail within a matter of hours, almost, of their arrival.

So that when you look at it from that point of view, it was a phenomenal, a fantastic performance, which was only possible because we had the background of the merchant marine in this country. If we do not have it, we will get into trouble just as sure as fate, in my judgment.

The ships that we have in the back channel are deteriorating rapidly. The Liberties were splendid ships. They were marginal when they were built. They were known to be because they were built in a hurry. They were designed, initially, for lend-lease. They embarked upon them because the design was in the mill, was going on, and could be put together quickly. They had reciprocating engines, low pressure, and saturated steam, which was obsolete at the time it was done, but it had to be accepted as a compromise for expediency.

They are being sold in the open market today at a price of something of a little over $400,000. It has fluctuated with demand. It was $1 million only a year and a half ago. But they are rapidly depreciating from year to year.

Personally, I think they should be maintained. I strove valiantly to keep the steelmakers from getting them for scrap, which they covetedly sought only a year ago. I think it was the right thing to do. They will be valuable in moving bulk cargoes in rear areas where they are less exposed to hazards than in the forward areas.

Senator POTTER. How long should we keep them before we scrap them?

Admiral COCHRANE. I think that is a hard thing to say. I think the scrapping ought to be progressive, picking out the ships that are in the worst condition first.

Of course, they do depreciate, although the depreciation has not been as bad as some people thought it might be. There is another

thing about the Mariners. We spoke of their security against submarines because of their speed of twenty-odd knots. I do not think one should overlook, today, the menace of air. We were very lucky in both the Atlantic and Pacific in World War II that the enemy devoted, in the Atlantic, most of his efforts to knocking down cities like London and Manchester, Bristol, and so on. Had he devoted all of that effort to ships, it would have been far more troublesome.

We were lucky in the Pacific because the Japanese devoted their submarine service to supplying bypassed bits of the Army, and not against merchant shipping. I think it would be prodigal to count on that thing another time. The advantage of the speed of the Mariners is that if you plan to arrive on an enemy coast at dawn, which is the usual thing, then the width of the darkness zone that you have to make that final approach on is much quicker in a 20-knot ship—twice as much—as in a 10-knot ship. You are out that much farther and have that much more security from the enemy.

The enemy has radar and planes, but even in that case you know if he is using it. It is not possible to use radar without it being detected. You have forewarning and have the assistance of your own fighter cover.

These things are of great advantage against all forms of modern war, both air and subsurface, and of course, surface, too, if the enemy is lucky enough to get surface raiders at sea.

I am quite sure that the Mariners will be found, as they get into service, to be of great value, particularly in the long hauls where the time at sea is a large percentage of the total turn-around time.

I think there is not a question but that one of the things we need to do in the American merchant marine, and the merchant marines of the world, is to facilitate the turn-around of ships that handle dry cargo, which today is slow. We all have heard and read with a great deal of discomfort of the problems of stevedoring and the longshoremen's efforts in New York harbor. Progress is being made in handling that situation. I am sure that will reflect elsewhere, and that the turn-around time for cargo ships can be accelerated. That makes the advantage of high speed at sea the more important.

Senator POTTER. Admiral, there has been a lot of discussion and confusion in the past couple of years over construction and subsidy programs. That is particularly as a result of the Comptroller General's ruling. I believe you were with the Commission when this dispute was under way. I would like to have your comments on that.

Admiral COCHRANE. I was not there when the dispute had its inception, but I was there——

Senator POTTER. You inherited it?

Admiral COCHRANE. Yes. It is one of those problems which is inevitable, I believe, in the form of government that we have of checks and balances, which are necessary, where we have a law which involves the judgment of men and interpretation of language.

The laws all are, of course, carefully written. But inevitably, they mean different things to the man who wrote them and to various people who read them. The 1936 act is very explicit in urging the development of a merchant marine, for these two very valid purposes, the national defense and for the national economic welfare.

It specifically urges in one paragraph the construction of fast Atlantic passenger ships, and yet, when it finally came down to the point

of doing that sort of thing, the interpretation of the language of the act was taken narrowly by one group, whose duty it was to take that view, and taken somewhat more broadly by the people who were responsible for accomplishing the results.

Senator POTTER. As a man who has worked with the law, is it not a fact that the Board has discretionary power when it comes to determining the construction subsidy?

Admiral COCHRANE. That is very clear to me, Senator. I think a board has to have discretionary power.

Senator POTTER. When the Board enters into a contract with a citizen for the construction of a ship, the Board may have used poor judgment, but if a contract has been entered into, it is a contract with the Government that it would seem to me should be a valid contract.

Admiral COCHRANE. Senator, I could not agree with you more. I am perfectly convinced that when a commercial concern, company, or corporation, whatever it may be, enters into a contract with the United States Government in which there is no suggestion even of malfeasance or fraud, and the terms are within the clear understanding of the group who entered into the contract with authority, and goodness knows they had that, the contract is binding.

Senator POTTER. I would like to follow that up with another question. After the review was made of the cost of construction in foreign yards—I believe the construction subsidy was cut by about $4 million—do you feel we have an adequate means of determining the cost of construction in foreign yards?

Admiral COCHRANE. Senator, I am quite convinced that it is impossible to do that. It is hard enough to determine what will be the cost in our own shipyards. If you will look back at the bids that were received for the Mariners from the various yards, you will see that there was a spread in them of some 40 percent, as I remember it.

Those were competitive bids put in by people, all of whom wanted to get that business because they were starving for work. Yet, we are expected, by the terms of the 1936 act, in Washington, to prepare an estimate of the cost of building a ship not yet built in a foreign yard under circumstances which make it, to me, almost impossible to do.

In connection with the building of the *Independence* and the *Constitution*, the representatives of the General Accounting Office who went with us when the Federal Maritime Board went to Holland last summer, were rather impressed by the fact that the final figures prepared by this Dutch shipyard were quite close to the figures that had finally been prepared by the Maritime Administration's staff.

Yet, Senator, if you stop and review the circumstances under which that occurrence had finally developed, you can see it was one that could not possibly happen in the normal administration of the act. In other words, our staff had gotten not only the detailed estimates of the shipyards, but had gotten some return costs from building it, as the foreign people had gone down and visited the ship, actually had inspected her, seen the finished product, which is quite different from preparing an estimate of a job still in the blueprint stage.

It goes even further than that. When a company wants to embark on a contract to build a ship, it wants to know pretty closely what is going to be its capital involvement in this job. No commercial company can engage in a project which may involve double in millions

what it has available to spend. So that these determinations should be, in my judgment, made with substantial finality early in the procedures, so that when the company signs a contract, it has a reasonable assurance of what will happen.

They are all prepared, as is everyone else today, to accept an escalation clause which takes care of increases in the costs in the country. They do that on the basis that by accepting such a clause, they get a better first price, because the company does not have to assume the risk of things over which it has no control.

That is a device which was worked out in the Government service during the war. They are prepared to accept that. But to get a question of millions of dollars in the final cost, in an interpretation of the law, is a terrific assumption of responsibility.

Senator POTTER. Do you have any recommendations as to possible changes in the formula for construction subsidies?

Admiral COCHRANE. Senator, I had hoped that it would be possible to assemble data and to make a somewhat abstract comparison of relative costs in various countries competent to build ships on economic indices of one sort or another which could become a reasonable basis for this determination.

Senator POTTER. In other words, for a large passenger ship, maybe 50 percent or 40 percent?

Admiral COCHRANE. Something of that sort.

Senator POTTER. And then, maybe, of a dry-cargo ship 30 percent?

Admiral COCHRANE. Something of that sort. I think there would be three classes, passenger ships, cargo ships, and, perhaps, tankers, if they got into the picture.

That, once determined, would be effective for a period of time. Actually, that was done during the war. To clean up things that were left when the war broke out, Congress agreed to 50 percent subsidy, which carried on through. Actually, I believe, although I have not seen it in writing, it was the basis for setting the price in the Ship Sales Act of 1946, which was set at half the average cost of the prewar level for the ships that were sold.

I do not advocate 50 percent. I think it should be determined, if there is no question that the relative costs here and abroad——

Senator POTTER. On each established ship a study should be made and then say, "40 percent for this type, 30 percent for this." That would save a lot of red tape?

Admiral COCHRANE. It would save all of this unpleasantness, all of this discussion, all of the debate as to whether people have been honest or have not been, where I am sure they were sincere, but we are all human.

You have a problem when you have to get data, some of it surreptitiously. As a matter of fact, the first question that I asked the Dutch in this shipyard to which we went last summer was why they undertook at all to make this estimate for us, because it obviously was not advantageous to them.

I asked them another question, that is, how had they been remunerated. They were exceedingly frank in the answer to the first question, that they felt indebted to the United States first in helping to liberate their country in 1944, and second, for the financial assistance they had in rehabilitating their shipyards, and that anything they

could do to assist the United States Government they should do, and that they were being paid their out-of-pocket expense by the company.

Those were perfectly frank answers which I am convinced were completely honest, and to me were encouraging and helpful. But that is not the situation that you can expect to have continue.

Senator POTTER. No. I would assume that in some countries the companies might not be as anxious to give you that information, because, actually, it is against their own economic interest to do so.

Admiral COCHRANE. That is exactly right. I believe, although I have no basis for saying so, in the other shipyards of Holland there was not unanimity of opinion that it should be done in this case.

Senator POTTER. Did you experience much the same difficulty in determining the amount of the operating subsidy?

Admiral COCHRANE. Yes, although we have a little better control over that. The operating subsidy is far simpler, Senator, than is this construction subsidy. While it is complex—I think beyond return value—it is possible to do it. The only serious objection to it is that it takes time which means that our returns are always way behind.

Senator POTTER. The formula that you suggested for the construction subsidy could be applied equally well to the operating subsidy?

Admiral COCHRANE. I think in some regard.

Senator POTTER. On a flat basis? I assume there are other factors you would have to take into consideration.

Admiral COCHRANE. There are only five elements in the operating subsidy: The difference in the wages of crew, as between an American ship, and that same ship being operated by other competitive flags. That is a little difficult. It involves construction. We have to dedecide what would be the crew assigned to our ship by the rules of some foreign country.

Then, of course, in a number of the services, the competition is of ships of several flags, which differ among themselves. We used to take them all in and work with meticulous care and come up with a number that had 5 or 6 decimal places in it.

We finally tossed out some of them, if they were fractional in their computation, and got down to a reasonable basis where you could get it done with some commercial speed.

That involves, again, the question of, "If you put this one in, you would have gotten a different rule." It might have changed it a few percent. There is always a challenge between the auditors and the fellows who do it, in the first place, as to whether the result was valid.

Senator POTTER. Admiral, we are having a memorial service for the late Senator Tobey, who was chairman of this committee. Before we conclude our hearing this morning, I want to state this: You know the problem we are faced with in building up our fleet. We have this block obsolescence problem staring us in the face.

I wonder if you have, briefly, some observations as to possible changes in the law, or what our national policy should be in order to make sure that our merchant fleet is not only adequate for defense, but provides us with the foreign commerce that is necessary to a great nation like the United States?

Admiral COCHRANE. I would be very glad to, Senator, although I will have to admit this requires inspiration, which is a little bit above

what I have been able to produce so far, except that I am so very clear on the importance of the basic philosophy.

People have advocated many things. Gordon Gray was chairman of the committee which advocated turning over our ocean transports to foreigners to permit them to reestablish their dollar exchange rates. Yet, there is not the slightest question that an American shipper gets better service from an American-flag ship. Some of the big companies said they did not care what flag the ship carried.

I said, "You don't as long as you are getting service, but if you realize the service will deteriorate and the price will rise if we are not in the international conferences that determine shipping rates, then you will yell loudly."

It is only through our possession not just of the ships but all of the elements of a merchant marine that we are able to do the things in this country that we do today.

I think it is the same situation that would develop if the department stores abandoned their own delivery service. They promise a customer that he will get service at a certain time, and they can have the control of all the means of making that delivery. A lot of that applies to our own international trade.

Senator POTTER. Admiral, I want to thank you kindly for appearing here today. We wanted to leave you as the last witness to sort of give us the benefit of your vast experience in this field.

We have just scratched the surface in these hearings. We do not pretend to have the answers. We have no regulation in front of us. We are seeking information to secure the answers. Your testimony has been of great help. With your permission, I know we will call on you again from time to time.

Admiral COCHRANE. I would be very pleased. I want to say again that while I am now of these industries, my convictions have not changed one iota from the time before to the time subsequent.

Senator POTTER. Thank you. This concludes our hearings for this session. During the recess, we plan on having a series of regional hearings. We plan on going to the west coast, and also the gulf.

When we meet again next year, I hope we will be able to digest and go through the vast testimony and, I would say, excellent testimony that we have received so far; and based on that, work on specific problems with the objective in mind of enacting whatever corrective legislation might be needed in the effort to carry out the policies of the 1936 act to provide us with a merchant marine which is adequate and necessary for defense and our foreign commerce.

Thank you kindly.

(Whereupon, at 11:15 a. m., the subcommittee adjourned, to reconvene at the call of the chairman.)

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